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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF GRANITE MOUNTAIN WATER CO.,
INC., FOR A RATE INCREASE.

DOCKET NO. W-02467A-14-0230

**NOTICE OF FILING REBUTTAL
TESTIMONY**

Granite Mountain Water Co., Inc. ("Granite Mountain") hereby provides notice of filing its rebuttal testimony in the above-captioned case.

Respectfully submitted on August 17, 2015, by:

Arizona Corporation Commission

DOCKETED

AUG 17 2015

DOCKETED BY

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Original and 13 copies filed
on August 17, 2015, with:

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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR APPROVAL OF A RATE INCREASE

DOCKET NO. W-02467A-14-0230

**REBUTTAL TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
GRANITE MOUNTAIN WATER COMPANY, INC.
AUGUST 17, 2015**

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EXECUTIVE SUMMARY

Mr. Jones responds to the direct testimony of the Arizona Corporation Commission's Utilities Division Staff, including their positions regarding rate base, operating income, cost of capital and rate design, focusing on the points of disagreement between Staff and Granite Mountain Water Company, Inc. Additionally, Mr. Jones sponsors the Company's rebuttal revenue requirement and updated schedules provided with this testimony as *Exhibit RLJ-RB2*.

The proposed revenue requirements and associated rate increases are summarized as follows:

	<u>Revenue Requirement</u>	<u>Revenue Increase</u>	<u>% Increase</u>
Granite Application	\$181,668	\$64,221	55.48%
Staff Direct	\$185,719	\$68,399	58.30%
Granite Rebuttal	\$177,270	\$59,950	51.10%

I INTRODUCTION

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE
NUMBER.**

A. My name is Ray L. Jones. My business address is 18835 North Thompson Peak
Parkway, Suite 215, Scottsdale, AZ 85255, and my business phone is (623) 341-4771.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?

A. I am testifying on behalf of the Applicant Granite Mountain Water Company, Inc.
("Granite" or "Company").

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the owner and principal of ARICOR Water Solutions LC ("ARICOR"), a consulting
firm providing services to the water and wastewater utility industry.

**Q. WHAT WAS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND
BEFORE GOING TO WORK FOR ARICOR?**

A. I began my working career with Citizens Utilities Company ("Citizens") in 1985 as a
Staff Engineer for the Maricopa County water and wastewater division. I was employed
at Citizens for 17 years, ascending to Vice President and General Manager for the
Arizona water and wastewater operations. In 2002, American Water ("American")
purchased the water and wastewater assets of Citizens, and I joined American as the
President of Arizona-American Company. I left American in 2004 to start ARICOR.

I received a Bachelor of Science in Civil Engineering in 1985 from the University of
Kansas, and a Master of Business Administration in 1991 from Arizona State University.

I am a Registered Professional Engineer in Arizona and California and a Grade 3
Certified Operator in Arizona for all four water and wastewater classifications. I

1 specialize in water resource issues, regulatory strategies, rate case filings and water and
2 wastewater utility management and operations.

3 In addition to my consulting practice, I am the Executive Director of the Water Utilities
4 Association of Arizona ("WUAA"). Founded in 1961, WUAA is a non-profit association
5 representing Arizona's private, regulated water and wastewater utilities.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

7 A. In my time with Citizens and American, I prepared or assisted in the preparation of
8 multiple filings before the Arizona Corporation Commission ("Commission"), including
9 rate applications and certificate of convenience and necessity ("CC&N") filings. Since
10 starting ARICOR, I have prepared several filings and assisted in the preparation of
11 several more filings before the Commission, including rate applications and CC&N
12 filings. I have also provided testimony in all of these cases before the Commission. A
13 summary of my regulatory work experience is included in my resume attached hereto as
14 *Exhibit RLJ-RB1*.

15 **II PURPOSE OF TESTIMONY**

16 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY FILED BY STAFF IN**
17 **THIS CASE?**

18 A. Yes, I have reviewed the testimony of Teresa B. Hunsaker and Dorothy Hains.

19 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

20 A. I will respond to the direct testimony of Staff, including their positions regarding rate
21 base, operating income, cost of capital and rate design, focusing on the points of
22 disagreement between Staff and the Company. Additionally, I will sponsor the

Company's rebuttal revenue requirement and updated schedules provided with this testimony as *Exhibit RLJ-RB2*.

III PRELIMINARY STATEMENTS AND GENERAL RESPONSE TO STAFF
TESTIMONY AND POSITIONS

Q. HOW ARE THE COMPANY'S POSITIONS AND TESTIMONY IN THIS CASE INTERRELATED WITH THE POSITIONS AND TESTIMONY PRESENTED IN THE RATE APPLICATION OF THE COMPANY'S AFFILIATE, CHINO MEADOWS II WATER COMPANY ("CHINO")?

A. Granite and Chino are sister companies operated from a common office using common staff. In addition, a third much smaller company, Antelope Lakes Water Company ("Antelope") is affiliated with Granite and Chino and operated from the common office using common staff as well. As discussed by Staff witness Hunsaker, the position taken in one case can impact the position in the other case, particularly with respect to allocated common costs. For this reason the positions taken in both cases, in addition to being evaluated independently, must be evaluated as a whole and in consideration of the overall impact to the combined operations of Granite and Chino.

Q. WHAT IS THE COMPANY'S INTITAL REATION TO STAFF'S TESTIMONY?

A. The Company thanks Staff for what is clearly a thorough evaluation of both Granite and Chino. Staff has done an excellent job of dealing with the complexity of the interrelation between the operations of Granite and Chino and presented positions in the cases that are mathematically consistent and complete across both of the rate filings. Staff's positions and proposed adjustments are presented in a detailed and understandable manner. Although the Company does not fully agree with all aspects of the various adjustments proposed by Staff, the Company believes the positions presented by Staff are in large part

1 reasonable. Therefore, the Company will accept most of Staff's proposed adjustments in
2 an effort to limit issues and demonstrate the Company's commitment to improving its
3 operations and meeting Staff's expectations concerning record keeping and cost
4 accounting.

5 **Q. WHAT ARE THE SIGNIFICANT OVERALL ISSUES THAT THE COMPANY**
6 **WOULD LIKE TO ADDRESS?**

7 A. The Company's most significant overall concern is with Staff's proposed allocation of
8 common costs between Chino, Granite, and Antelope. The Company has historically
9 used customer counts as a basis of allocation. Staff is proposing to move to a more
10 complex 4-factor common cost allocation method that shifts costs and revenue away from
11 Chino, the largest and most significant of the three affiliates. Staff's proposal
12 significantly shifts costs and revenue to Granite and to a lesser degree to Antelope.

13 Both Granite and Antelope are new, small companies with, relative to Chino, fewer
14 customers, higher levels of plant investment and, in the case of Granite, higher rates.
15 Shifting costs to Granite—a company with fewer customers and significantly higher rates
16 than Chino—will create revenue instability both for Granite and the water companies as a
17 whole. Additionally, Granite is facing a significantly higher percentage increase in these
18 interrelated cases. Accordingly, it is very likely that Granite will under-collect its
19 authorized revenue by a significant magnitude. If the authorized revenue for Granite
20 cannot be collected, common expenses may not be covered, which would harm the
21 operations of both Chino and Granite.

22 It is also concerning that Staff's proposal would move the companies contrary to industry
23 trends. The Commission and industry are exploring ways to encourage consolidation and
24 to make it easier for small water companies to be acquired by larger, better capitalized

1 companies. Unfortunately, the cost shift embedded in Staff's recommendation would
2 discourage consolidation or acquisition. The two companies, Chino and Granite, would
3 be moved farther apart in terms of rates, increasing the complexity of any future
4 consolidation or acquisition.

5 **Q. HOW SIGNIFICANT IS THE CHANGE IN STAFF'S PROPOSED COST**
6 **ALLOCATION?**

7 A. It is very significant. The Company has historically used customer counts as the basis of
8 most common cost allocations and currently uses customer count as the only method of
9 allocating common costs. The resulting current common cost allocation is 88% to Chino
10 and 12% to Granite. In contrast Staff's proposed allocation is only 70.12% to Chino with
11 26.93% going to Granite and 2.95% going to Antelope. This change in allocation shifts a
12 very significant \$49,006 in common costs away from Chino, where they are far more
13 likely to be collected, to Granite and Antelope where they are almost certain to be under-
14 collected and in the case of Antelope, not collected at all. The cost shift (\$40,921 to
15 Granite) is so severe that the increase recommend by Staff for Granite is actually larger
16 than what the Company originally requested, even though Staff has disallowed
17 substantial costs and rate base proposed by Granite. In contrast, Staff recommends no
18 increase at all for Chino.

19 The Company will present a more balanced, simplified approach to cost allocation that
20 moves incrementally toward Staff's allocation while preserving Granite's ability to
21 recover plant investment and providing both Chino and Granite reasonable opportunities
22 to recover the common costs related to the operation of both companies.

1 Further, the Company's cost allocation proposal allows the Company to avoid significant
2 and damaging regulatory lag (discussed below), while still raising rates less than
3 proposed by Staff

4 **Q. ARE THERE OTHER AREAS OF DISAGREEMENT WITH STAFF THAT YOU**
5 **WILL ADDRESS IN YOUR REBUTTAL TESTIMONY?**

6 A. There are two significant rate base disagreements. The most significant is related to the
7 inclusion of post-test year plant in rate base. The Company has committed significant
8 funds to construct a tank to benefit existing customers as ordered by the Commission.
9 Although not yet complete, the CWIP balance is substantial and recovery of the cost is
10 appropriate. The second concerns Staff's recommendation to disallow portions of its
11 plant due to records being destroyed when the Company's offices were destroyed by fire.
12 The loss of plant records was beyond the Company's control, so all documented plant
13 costs should be allowed in its rate base. The only significant issue regarding expenses,
14 other than the cost allocation issue previously discussed, is a partial disagreement with
15 the disallowance of a portion of Mr. Levie's salary. The remaining differences are
16 largely the fall-out impacts from the above discussed disputes.

17 **IV REBUTTAL REVENUE REQUIREMENT**

18 **Q. WHAT IS GRANITE'S REBUTTAL REVENUE REQUIREMENT?**

19 A. Granite's rebuttal revenue requirement is shown on Schedule RLJ-1 Rebuttal. Granite is
20 now requesting a revenue increase of \$59,950, an increase of 51.10% over adjusted test
21 year revenues of \$117,370. The reduction in revenue requirement, as compared to the
22 Company's original filing, is attributable to the Company adopting, either in whole or in
23 part, a number of rate base and expense adjustments recommended by Staff.

1 **Q. COULD YOU SUMMARIZE GRANITE'S AND STAFF'S REVENUE**
2 **REQUIREMENT POSITIONS?**

3 A. Yes. The proposed revenue requirements and associated rate increases are summarized
4 as follows:

	<u>Revenue Requirement</u>	<u>Revenue Increase</u>	<u>% Increase</u>
Granite Application	\$181,668	\$64,221	55.48%
Staff Direct	\$185,719	\$68,399	58.30%
Granite Rebuttal	\$177,270	\$59,950	51.10%

9 **V COMPANY'S REBUTTAL ADJUSTMENTS**

10 **A RATE BASE ADJUSTMENTS**

11 **Q. HAS THE COMPANY UPDATED ITS RATE BASE POSITION?**

12 A. Yes. As discussed below and presented in Schedule RLJ-2, the Company has updated is
13 position on rate base.

14 **Accepted Rate Base Adjustments**

15 **Q. WHICH RATE BASE ADJUSTMENTS PROPOSED BY STAFF HAS THE**
16 **COMPANY ACCEPTED?**

17 A. The Company accepts Staff Adjustments No. 2 and No. 4 and rejects the remaining Staff
18 Adjustments.

19 **Staff Rate Base ADJ No. 1 – Post-Test Year Plant**

20 **Q. WHAT ARE THE DIFFERENCES BETWEEN STAFF AND THE COMPANY**
21 **REGARDING POST-TEST YEAR PLANT?**

22 A. Based on the Company's rebuttal position there are five differences summarized as
23 follows:

- 1 • Staff has allocated \$1,196 for a well meter installed at Well No. 6 to Plant
2 Account 334, Meters and Meter Installations. The NARUC definition of Account
3 334, Meters and Meter Installations specifically excludes “meters for recording
4 the output of a supply or treatment plant.” The Company has included the well
5 meter cost in Plant Account 311, Pumping Equipment which specifically includes
6 “measuring devices.”
- 7 • Staff’s adjustment contains a mathematical error that omits \$402.50 from the
8 Plant Account 311 total.
- 9 • The Company and Staff disagree on the value of the easement, structures and well
10 purchased for Well No. 6. The total difference in positions is \$37,800.
- 11 • The most significant difference is related to the cost for Tank No. 3, a 50,000
12 gallon storage tank, currently under construction. The Company proposes to
13 include \$99,830 in cost for Tank No. 3. Staff does not include the cost of the tank
14 in post-test year plant.
- 15 • Lastly, the Company has included the cost of replacing the pump at Well No. 4 in
16 the amount of \$9,449 in post-test year plant. This replacement was completed in
17 August of 2014. The Company has also included a companion adjustment for
18 post-test year retirement of the replaced pump in the amount of \$4,680¹.
19 Documentation of the cost for this item is provided in *Exhibit RLJ-RB3*.

20 **Q. WHAT AMOUNT DOES THE COMPANY SUPPORT FOR THE EASEMENT**
21 **STRUCTURES AND WELL PURCHASED FOR WELL NO. 6?**

¹ \$4,680 reduction to plant in service and \$4,680 reduction to accumulated depreciation.

A. The Company proposes a cost of \$75,000, which is the actual cost paid for the easement. The amount is \$5,000 less than the value established by an independent appraisal conducted by Huck Appraisal Office ("Appraisal"). A copy of the Executive Summary from the Appraisal is attached as *Exhibit RLJ-RB4*.

Q. HOW DID THE APPRAISAL BREAK DOWN THE COSTS?

A. The appraisal values the easement, including the structures and improvements located within the easement property at a value of \$80,000 as of May 29, 2014, the day the easement was recorded in the Yavapai County Recorder's office.

The breakdown of the valuation is as follows:

Land Value	\$46,000
Structures	34,705
Well	16,000
Depreciation	<u>(16,344)</u>
Indicated Value	\$80,361
Rounded To:	\$80,000

Q. HOW DID THE COMPANY ALLOCATE THE \$75,000 IN COSTS TO PLANT ACCOUNTS?

A. The Company Allocated the Costs as follows:

Account 303 – Land and Land Rights	\$46,000
Account 304 – Structures and Improvements	13,000 ²
Account 307 – Wells and Springs	<u>16,000</u>
Total Cost	\$75,000

Q. WHAT IS THE STATUS OF CONSTRUCTION OF TANK NO. 3?

A. The tank is under construction and the Company estimates that it is currently 80% complete. The Company expects the tank to be completed and in service in the next couple of months. To date the Company has expended \$81,080 on construction of the

² \$34,705 structure value, less \$16,344 depreciation, less \$361 rounding, less \$5,000 paid below appraisal.

1 tank with an additional \$18,750 committed to complete the tank. The Company has
2 included \$99,830 in post-test year plant for this tank. Documentation of the \$81,080 in
3 CWIP is attached as *Exhibit RLJ-RB5*.

4 **Q. WHY IS THE COMPANY REQUESTING RECOVERY FOR A TANK THAT IS**
5 **NOT YET COMPLETE?**

6 A. The Company has expended substantial sums to build the tank and expects to expend a
7 significant additional sum to complete the tank. A small Class E water utility like
8 Granite will experience significant regulatory lag if the investment is not included in
9 rates. For a large Class A water utility with a far larger rate base, the regulatory lag to
10 recover the cost of one water tank would be relatively immaterial. As I will discuss, the
11 impact of the associated regulatory lag on a small Class E water utility like Granite will
12 destroy any chance the Company has to earn a fair return on its investment. The tank will
13 be complete and serving customers during the period rates in this case are in effect; it
14 should be included in the Company's rate base.

15 **Q. HAS THE COMPANY BEEN PREVIOUSLY BEEN HARMED BY A SIMILAR**
16 **SITUATION CONCERNING CONSTRUCTION OF A DIFFERENT TANK?**

17 A. Yes. The Company placed Tank No. 2 in service in September of 2010. This was the
18 same month that its current rates were effective based on Decision No. 71869 issued on
19 August 31, 2010. The tank was completed at a cost of \$100,005 and is to this day not
20 reflected in the Company's revenue requirement. Through June 30 of this year, the
21 Company has failed to recover \$15,460 of depreciation expense and approximately
22 \$43,000 in return on its investment, for a total shortfall of over \$58,000. At this point,
23 due to regulatory lag, the best return on this investment that the Company could earn is

1 about 4.5%, assuming an underlying 10% return on a going-forward basis. The Company
2 simply cannot afford to endure this type of financial hardship a second time.

3 **Staff Rate Base ADJ No. 3 – Unsupported Plant**

4 **Q. WHY DOES THE COMPANY OPPOSE STAFF RATE BASE ADJUSTMENT**
5 **NO. 3.**

6 A. Staff Adjustment No. 3 would remove 10% of the cost of \$96,432 of plant in service
7 from rate base by increasing the Company's CIAC balance by \$9,643. This reduction to
8 rate base is reduced by intervening amortization of the CIAC balance. The Company has
9 supported this plant through accounting records and there is no dispute that the amount
10 represents plant in service. The Company cannot provide detailed invoices for the plant
11 because all of the Company's records were destroyed when the Company's offices were
12 destroyed by fire. Despite the Company's best efforts, the Company was only able to
13 obtain duplicate support for some of its plant. Unfortunately, the Company was unable to
14 obtain source documentation for this portion of the destroyed records because vendors
15 were out of business or had purged their records. The fire was an event not within the
16 Company's control and it has made all reasonable efforts to reconstruct its plant records.

17 The fire was damaging enough to the Company. Further damaging the Company
18 financially by disallowing rate base would be punitive and should be rejected.

19 **Staff Rate Base ADJ No. 5 – Accumulated Depreciation**

20 **Q. WHY DOES THE COMPANY DISAGREE WITH STAFF'S RATE BASE**
21 **ADJUSTMENT NO. 5?**

22 A. The company has updated its Accumulated Depreciation Adjustment to adopt Staff's
23 methodology in reconstructing the Company's accumulated depreciation balance. The

1 difference is entirely attributable to the post-test year retirement associated with the post-
2 test year replacement of Well No. 4 pump.

3 **Staff Rate Base ADJ No. 6 – Working Capital**

4 **Q. WHY DO THE COMPANY AND STAFF DISAGREE ON THE WORKING**
5 **CAPITAL ALLOWANCE?**

6 A. The difference is minor and due entirely to differences in adjusted test year expenses
7 discussed in the following section of testimony. The Company has updated its working
8 capital allowance to reflect its rebuttal position.

9 **Summary of Rate Base Differences**

10 **Q. WHAT ARE THE COMPANY'S AND STAFF'S CURRENT RATE BASE**
11 **POSITIONS?**

12 A. Staff is recommending a rate base of \$431,139 and the Company is recommending a rate
13 base of \$583,926, a difference of \$152,787.

14 **B INCOME STATEMENT ADJUSTMENTS**

15 **Q. HAS THE COMPANY UPDATED ITS INCOME STATEMENT POSITION?**

16 A. Yes. As discussed below and presented in Schedule RLJ-3, the Company has updated its
17 position on income statement items. We accept most adjustments but oppose others.

18 **Accepted Income Statement Adjustments**

19 **Q. WHICH INCOME STATEMENT ADJUSTMENTS PROPOSED BY STAFF HAS**
20 **THE COMPANY ACCEPTED?**

21 A. The Company accepts Staff Adjustments No. 1, No. 2, No. 3, No. 4, No. 5, No. 6, and
22 No. 7.

Staff Operating Income Adjustment No. 8 - Allocations

Q. WHAT ASPECTS OF STAFF INCOME STATEMENT ADJUSTMENT NO. 8 DOES THE COMPANY OBJECT TO?

A. Staff Rate Base Adjustment No. 8 is a complex adjustment with multiple parts. The Company appreciates the work Staff put into the adjustment and contests only two very specific aspects of the adjustment. The Company disagrees with the full amount of Staff's disallowance of a portion of Mr. Levie's salary, and as previously discussed, the Company proposes a more balanced and simplified approach to cost allocation between Granite and Chino.

Q. WHAT ASPECT OF MR. LEVIE'S SALARY DISALLOWANCE DOES THE COMPANY WISH TO ADDRESS?

A. The Company objects to the deduction of 33% of total monthly hours as detailed on Line 14 of Schedule TBH CM-20g. The Company believes this deduction is unnecessary because the salary paid to Mr. Levie of \$37,700 already includes a deduction for Mr. Levie's time away from the office. As noted by Ms. Hunsaker, Mr. Levie is only a half-time employee of Chino and Granite. However, Mr. Levie is a half-time employee because he spends time away from the office and managing his other businesses. To remove costs a second time as recommended by Staff would be duplicative.

The Company proposes a total salary for Mr. Levie of \$33,027. This amount is arrived at by taking the actual salary paid to Mr. Levie of \$37,700 and deducting the \$4,673 deduction for duplication of effort with the Operations Manager as recommended by Staff. The Company's proposed pre-allocation salary of \$33,027 is a very reasonable salary for the Company President, who serves as the chief executive and legal counsel for

1 both Chino and Granite, and should be adopted by the Commission. The resulting salary
2 allocation to Granite for Mr. Levie is \$6,440.

3 **Q. WHAT IS THE COMPANY'S POSITION ON COST ALLOCATION?**

4 A. As previously discussed, the Company is very concerned about the abrupt cost shift to
5 Granite from Chino that would result from Staff's recommended 4-factor cost allocation.
6 Granite is a new, small company that is struggling to grow and does not produce
7 sufficient revenue to provide an adequate return on the relatively high plant investment.
8 In contrast, Chino is an established, mature company that provides 75% of the combined
9 revenue of Chino and Granite. Shifting operating costs to Granite from Chino through
10 aggressive allocation of costs will destabilize the revenue of both companies and
11 negatively impact the common operation's ability to cover its common expenses and
12 ultimately harm the operations of both Granite and Chino.

13 **Q. ARE THERE SPECIFIC CONCERNS WITH THE 4-FACTOR USED BY STAFF?**

14 A. The Company's primary concern is with the result of the proposed allocation rather than
15 the methodology itself. The Company does find the factors used to be unusual. I have
16 never seen Revenues or Sales (gallons pumped) used in a 4-factor allocation.
17 Additionally, the use of net plant, rather than gross plant is, in my experience, contrary to
18 common practice and particularly problematic for Chino with its mature, depreciated rate
19 base. Use of these four atypical factors introduces needless complexity for a small
20 organization that needs simplicity to be successful.

21 **Q. WHAT IS THE SPECIFIC ISSUE WITH THE USE OF NET PLANT?**

22 A. As briefly explained earlier, Chino's authorized depreciation rates are clearly in excess of
23 the actual physical depreciation of its plant. This has caused Chino's net plant balance to
24 be unrealistically low and not representative of the scope of the Company's operation.

1 Gross plant would be a much better measure of the relative scope of Chino's operation.
2 However, even gross plant falls somewhat short of presenting an accurate portrayal of
3 Chino. This is because Chino was originally acquired by Mr. Levie through a bankruptcy
4 sale and, pursuant to Commission orders, the Company's books reflect the discounted
5 purchase price rather than the actual original cost of the original plant in service. Chino's
6 aging plant further distorts the relationship between the two companies. Chino's older
7 plant requires significant staff effort as compared to Granite's relatively new plant. This
8 reality is not captured when comparing even gross plant balances. So, it would also be
9 inappropriate to rely too heavily on gross plant as an allocation factor, let alone net plant.

10 **Q. ARE THERE SPECIFIC CONCERNS WITH ALLOCATION COSTS TO**
11 **ANTELOPE?**

12 A. Yes. Antelope is a very small company with two customers and no possibility of any
13 near-term growth. The total revenues of Antelope in 2014 were \$612.97, barely enough
14 to pay the power bill and property taxes. Allocation of any costs to Antelope is
15 premature and, put plainly, will not be collected and will harm the combined operation of
16 the companies.

17 **Q. WHAT IS THE COMPANY'S PROPOSAL?**

18 A. The Company continues to believe that customer counts represent the simplest and most
19 accurate way for Granite to allocate costs and that customer counts should dominate any
20 cost allocation model between Chino and Granite. However, the Company acknowledges
21 that plant balances are traditionally used in cost allocation and in an effort to move
22 toward Staff's approach, proposes to include gross plant in the calculation. Specifically
23 the Company has used test-year customers, projected 2018 customers (five-year forward
24 looking), and gross plant to arrive at a cost allocation. The Company weights the

1 customer counts 2.5x each for a total customer count weighting of five times, compared
2 to gross plant which is given single weighting. The result is an allocation of 80.5% to
3 Chino and 19.5% to Granite. The Company proposes to use this allocation on a going-
4 forward basis beginning with 2016.

5 **Q. HAS THE COMPANY PREPARED WORKPAPERS SHOWING HOW THE**
6 **COMPANY'S TREATMENT OF MR. LEVIE'S SALARY AND ITS PROPOSED**
7 **COST ALLOCATION AFFECT STAFF'S OPERATING INCOME**
8 **ADJUSTMENT NO. 8?**

9 A. In order to provide simplicity and clarity, the Company has recalculated Staff Operating
10 Income Adjustment No. 8 using Staff's Excel workbook. The impacted Schedules are
11 TBH CM-20a, TBH CM-20c, TBH CM-20e, and TBH CM-20g. Copies of those
12 schedules as modified by the Company are attached as *Exhibit RLJ-RB6*.

13 **Depreciation Expense – Company ADJ IS-7 (Staff Income Statement ADJ No. 9)**

14 **Q. HAS COMPANY ADJUSTMENT IS-6 BEEN UPDATED?**

15 A. Yes. The Company and Staff are in agreement regarding depreciation expense
16 methodology with the difference in depreciation expense resulting from differing levels
17 of recommended post-test year plant (See Staff Rate Base ADJ No. 1), CIAC being
18 amortized due to the disagreement regarding Staff Rate Base ADJ NO. 3 and due to
19 formula errors in Staff Schedule TBH GM-21³.

³ Beginning with Plant Account 310, the depreciation expense calculation is using the depreciation rate for the plant account immediately above the current plant account.

1 **Q. WHAT ABOUT THE DIFFERENT POSITION ON DEPRECIATION RATES**
2 **FOR PLANT ACCOUNTS 311 AND 341?**

3 A. As is evidenced by the Company's near zero net plant balance for Plant Account 311, the
4 depreciation rate recommended by Staff and authorized by the Commission for Granite
5 for this account is obviously excessive and in excess of the actual physical depreciation
6 of the Company's pumping equipment. Since the Company has a very small net plant in
7 this account and therefore little depreciation expense regardless of the depreciation rate
8 used, in an effort to limit issues, the Company will drop its request to change the
9 depreciation rates for both Plant Account 311 and Plant Account 341.

10 **Property Tax – Company ADJ IS-8 – (Staff Income Statement ADJ No. 10)**

11 **Q. HAS COMPANY ADJUSTMENT IS-8 BEEN UPDATED?**

12 A. Yes. The Company and Staff are in near complete agreement regarding the methodology
13 for calculating property tax expense. In recognition of the Company's post-test-year
14 plant position, the Company has used zero for the CWIP balance in the property tax
15 calculation. This is the only difference in methodology and is responsible for the small
16 difference in Adjusted Test Year Property Tax Expense. Property Tax Expense is
17 included in the Gross Revenue Conversion Factor. Since the Company and Staff disagree
18 on their revenue recommendations the recommend property taxes at proposed rates are
19 different.

20 **Income Taxes ADJ IS-9 – (Staff Income Statement ADJ No.11)**

21 **Q. HAS COMPANY ADJUSTMENT IS-9 BEEN UPDATED?**

22 A. Yes. The parties' test-year income-tax-expense calculations disagree due to differing
23 positions on test-year expenses. In addition, the Company uses personal tax rates in
24 accordance with the Commission's policy pertaining to an income tax allowance for S-

1 Corps. Staff has instead utilized corporate income tax rates. Income Tax Expense is also
2 included in the Gross Revenue Conversion Factor. Since the Company and Staff disagree
3 on their revenue and expense recommendations the recommend income taxes at proposed
4 rates are different.

5 **VI RATE DESIGN**

6 **Q. HAS THE COMPANY PREPARED A RATE DESIGN TO SUPPORT ITS**
7 **REQUESTED INCREASE?**

8 A. Yes. The Company's proposed rate design is presented on Schedule RLJ-4. The rate
9 design keeps the current split of revenue from the base charge and the commodity
10 charges essentially unchanged. The percentage collected from the third tier is reduced
11 from 18.3% to 16.1%, moving incrementally toward industry recommendations and to
12 address revenue stability concerns related to the large increase. Although the Company
13 expects that it will not be able to fully collect its authorized revenue due to declining
14 sales, this rate design will promote revenue stability while encouraging conservation.
15 The Company has adopted the break-over points recommend by Staff for all meter sizes.
16 Lastly, to avoid unnecessary complexity, the Company has not proposed separate rates
17 for small commercial meters.

18 **Q. DO YOU HAVE ANY CONCERNS WITH STAFF'S PROPOSED RATE**
19 **DESIGN?**

20 A. Yes I do. Since Staff will be updating their revenue requirement and rates in response to
21 this rebuttal testimony, I will only briefly address my concerns at this time. The primary
22 concern with Staff's rate design is that it will promote revenue instability and impair the
23 Company's ability to collect its authorized revenue. Staff's rate design decreases the
24 percentage of revenue collected from the base charge from 46.8% to 41.0%. This

1 revenue is shifted to both the second and third tier rates with the third tier percentage of
2 revenue collected increasing from 18.3% to 20.8%. This shift of revenue from base
3 charges to third tier revenue will undoubtedly exacerbate expected declining sales and
4 cause the Company to collect less than its authorized revenue.

5 **Q. ARE THE COMPANY AND STAFF IN AGREEMENT WITH RESPECT TO**
6 **SERVICE CHARGES?**

7 A. The Company has adopted Staff's proposed Service Charges where there was previously
8 a difference in position. However, the Company currently has and is recommending a
9 Meter Re-Read (If Correct) charge of \$15.00 that Staff appears to have omitted from its
10 recommendation. The Company and Staff are in agreement on recommended Service
11 and Meter Installation Charges.

12 **VII ASSESSMENT OF PENALTIES – FREE AND DISCOUNTED WATER**

13 **Q. WHAT DID THE COMMISSION ORDER THE COMPANY TO DO IN**
14 **DECISION NO. 71869 WITH RESPECT TO FREE AND DISCOUNTED**
15 **WATER?**

16 A. The Commission stated:

17 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall
18 immediately cease providing water without charge and shall immediately cease
19 providing water at a discounted rate.

20 **Q. DID THE COMPANY COMPLY WITH THE COMMISSION'S ORDER?**

21 A. Yes, the Company did comply with the Commission's Order. As discussed in Decision
22 No. 71869, the Company was providing free (unbilled) water and discounted water to Mr.
23 Daniel Levie for certain properties pursuant to the terms of an easement agreement.
24 Additionally, the Company was not reading and billing an additional seven meters on its
25 system. Subsequent to the issuance of Decision No. 71869, the Company began billing,

1 at tariffed rates, Mr. Daniel Levies' two accounts and all seven of the unbilled accounts.
2 The Company no longer provides water without charge or at a discounted rate and has
3 complied with Decision No. 71869.

4 **Q. SHOULD THE COMPANY BE PENALIZED AS RECOMMENDED BY STAFF?**

5 A. No. The Company is in compliance with Decision No. 71869 and should not be
6 penalized.

7 **Q. OKAY MR. JONES, BUT WHAT ABOUT OTHER CONCERNS RAISED BY**
8 **STAFF IN THEIR TESTIMONY?**

9 A. They are valid concerns that the Company takes seriously. The Company has acted to
10 correct the collection problem with the four accounts identified by Staff. All four of the
11 accounts are up to date with only the current balance being due at any given time.

12 The Company's failure to collect amounts charged and due was, at its core, a process
13 problem that is different from the issue discussed in Decision No. 71869. Staff has
14 alleged that the Company "failed to properly collect" amounts due from a total of four
15 accounts. But Staff fails to recognize that it was the Company that identified this
16 problem and took the necessary action to correct it. Staff does not dispute that the
17 amounts were charged, included in the company's revenue and carried as accounts
18 receivable balances. Further, Staff does not dispute, with the possible exception of
19 \$5,064.42, that the amounts charged for the four accounts in question were ultimately
20 collected.

21 **Q. WHAT WAS THE UNDERLYING PROCESS PROBLEM YOU MENTION?**

22 A. The problem is explained by Company employee Christine Nelson in the Company's
23 response to Staff Data Request TBH 2.9 attached to Ms. Hunsaker's Direct Testimony.

1 During the test year the Company was not following procedure for shut offs for
2 Granite Mountain Water Company. When new employee (Christine Nelson) was
3 hired and was being trained by Pam Harbeson, she was told by the former
4 employee not to perform shut-offs in Granite Mountain, but she was not given an
5 explanation as to why. After a few months the new employee questioned this
6 procedure and began to look through the accounts and noticed multiple past due
7 bills. The matter was brought to the attention of the Operations Manager at which
8 time she was notified that that proper procedure was not being followed and that
9 notification and shut-offs should be done every month. At that time, the Company
10 sent out late notices to all delinquent accounts and began collecting monies that
11 were due.

12 **Q. HAS THIS PROCESS PROBLEM BEEN CORRECTED?**

13 A. Yes it has. Ms. Nelson provided additional insight into the situation in the Company's
14 response to Staff Data Request TBH 3.12.

15 Having reviewed the records and spoken with Management, it appears that no
16 accounts were shut off for non-payment for the test year or prior years. As noted
17 in the Company's response to TBH 3.11, until Christine Nelson brought this to
18 the attention of the Operations Manager in December 2013, delinquent notices
19 and shut-offs had never been performed in the Granite Mountain system.
20 Management advises that this was likely due to generally good payment history
21 within the Granite Mountain system and general lack of past due balances. Due
22 to the higher income level in this area, the Company believes that shut off's will
23 be quite rare, and even in 2014 when the **proper procedures have been**
24 **followed**, we do not show any customers that were shut off due to non-payment.
25 [Emphasis added]

26 **Q. CAN YOU ADDRESS THE \$5,064.42 THAT STAFF NOTES WAS IMPROPERLY**
27 **CREDITED TO MR. DANNY LEVIE'S ACCOUNT?**

28 A. Staff is referring to two separate transactions that I will address separately. First, the
29 Company issued a \$1,564.42 credit to Mr. Daniel Levie as an adjustment for high usage
30 due to a leak and to reduce late fees. I will note that this sort of courtesy adjustment is
31 not unusual in the water industry. However, in this case, given the father/son relationship
32 involved, the Company, in retrospect, will concede that it would have been a better
33 business practice to not have made the adjustment.

1 The \$3,500 credit is related to work performed by Mr. Daniel Levie during the
2 construction of Well No.6. As noted by Ms. Hunsaker, the Company agreed to pay Mr.
3 Daniel Levie \$3,500 to install two large culverts under the Well No. 6 driveway. The
4 Company first issued a check to Mr. Daniel Levie and then voided the check and applied
5 a \$3,500 credit to Mr. Daniel Levie's delinquent account rather than making the payment.
6 In the end, rather than pay Mr. Daniel Levie for the work he successfully performed, the
7 Company choose to apply the payment against his delinquent water account. This action
8 was taken in good faith to reduce Mr. Daniel Levie's delinquency using funds owed to
9 Mr. Daniel Levie.

10 **Q. WHAT IS THE APPROPRIATE COMMISSON ACTION NEEDED TO**
11 **ADDRESS STAFF'S CONCERNS?**

12 A. Staff has recommended that the Company develop a Code of Affiliate Conduct that
13 would include addressing the timely collection water billings from affiliates. As
14 discussed below, the Company does not oppose development of a Code of Affiliate
15 Conduct as recommended by Staff and believes the Code of Conduct will adequately
16 insure that the Company continue its current practice of collecting all amounts due from
17 affiliates in a timely manner.

18 Staff is already penalizing the Company for its actions though the disallowance of \$3,500
19 in rate base associated with the cost of work performed by Mr. Daniel Levie and
20 ultimately credited against his water billing. The Company has agreed to Staff's
21 exclusion of this amount from the post-test year plant balance for Well No. 6 and will
22 remove the balance from its plant in service balance. This penalty, in conjunction with
23 the Code of Affiliate Conduct, is sufficient to ensure the Company's continued collecting
24 of all amounts due from affiliates in a timely manner. There is no need for any additional
25 penalties.

1 **VIII OTHER ISSUES**

2 **Code of Conduct**

3 **Q. WHAT IS THE COMPANY'S POSITION REGARDING THE DEVELOPMENT**
4 **OF A CODE OF AFFILIATE CONDUCT (STAFF RECOMMENDATION NO. 8)?**

5 A. The Company is committed to improving its record keeping and cost accounting to
6 address the issues raised by Staff in this case and to separate the costs related to
7 unregulated affiliates from the cost related to Granite and the regulated affiliates. The
8 Company does not oppose development of a Code of Affiliate Conduct as recommended
9 by Staff. The Company notes, however, that while a Code of Affiliate Conduct would
10 govern relationships and transactions between the regulated and nonregulated affiliates, it
11 would only be adopted by the regulated affiliates and applicable to the transactions
12 recorded by the regulated affiliates that are under Commission jurisdiction.

13 **4-Factor Allocation and Use of Detailed Time Sheets**

14 **Q. WHAT IS THE COMPANY'S POSITION REGARDING USE OF STAFF'S 4-**
15 **FACTOR ALLOCATION METHOD AND DETAILED TIME SHEETS? (STAFF**
16 **RECOMMENDATION NO. 5)?**

17 A. For the reasons discussed in this testimony, the Company opposes the use of Staff's 4-
18 factor allocation model and instead proposes to allocate common costs 80.5% to Chino
19 and 19.5% to Granite on a going-forward basis beginning with 2016. In regard to the use
20 of detailed time cards, the Company does not support this as a separate recommendation.
21 The Company believes the use of time cards can and should be incorporated into the
22 Code of Affiliate Conduct.

Report of Corporate Cost Allocations

Q. WHAT IS THE COMPANY'S POSITION REGARDING THE ANNUAL FILING OF A REPORT OF CORPORATE COST ALLOCATIONS (STAFF RECOMMENDATION NO. 4)?

A. This recommendation is unnecessary and burdensome, particularly on a Class E utility. The Company intends, to the extent possible, to update its practices to eliminate cost allocations between its regulated and unregulated affiliates. The Company proposes to document these changes in the Code of Affiliate Conduct. Additionally, the current Staff recommendation is not detailed enough to allow the Company to determine what specifically would be reported.

Affiliate Receivables and Payables

Q. WHAT IS YOUR UNDERSTANDING OF STAFF'S RECOMMENDATIONS REGARDING AFFILIATE RECEIVABLES AND PAYABLES (STAFF RECOMMENDATION No. 3)?

A. My understanding is that the recommendation contains a number of separate recommendations that are not all stated in the numbered recommendation. My understanding of the full recommendation is can be summarized as follows:

1. The Company should collect all receivables from affiliates within one year from the Decision in this case.
2. The Company should cease making any further personal loans or advances with Company funds.
3. The Company should pay all payables to affiliates within 24 months of the Decision in this case.

1 4. The Company should obtain specific authorization by the Commission for
2 indebtedness payable, including amounts appearing in affiliate payable accounts.

3 **Q. WHAT IS THE COMPANY'S POSITION ON THE RECOMMENDATIONS?**

4 A. The Company accepts parts 1 and 2 of the recommendation with the understanding the
5 part 2 applies only to affiliates. For example, the Company does occasionally advance
6 funds to unaffiliated employees with the funds being recovered from future pay checks.
7 The Company believes this practice is consistent with industry practices and that it
8 should be able to continue the practice.

9 The Company is concerned with parts 3 and 4 of the recommendation concerning
10 transactions between the regulated affiliates and cannot support the recommendations.
11 The Company does support the recommendation with respect to unregulated affiliates.

12 **Q. WHAT ARE YOUR CONCERNS WITH PARTS 3 AND 4 OF THE**
13 **RECOMMENDATION?**

14 A. As discussed in this testimony, the regulated affiliates are operated using common
15 facilities and common staff and they are at different stages in their life cycles, with Chino
16 being established and Granite and Antelope being relatively new companies dealing with
17 high plant costs. The Company believes that the ability to use excess funds from one of
18 the regulated affiliates to support the cash needs of another regulated affiliate is in the
19 public interest, and the practice is consistent with the industry and Commission efforts to
20 explore consolidation of smaller companies. Moreover, tracking these funds through the
21 use of intercompany receivable/payable accounts is a convenient and efficient method to
22 record the transactions that provides complete transparency to the Commission. As long
23 as there is no interest charged and no expectation that the funds be repaid, as is the case
24 here, there is no debt that requires approval by the Commission.

1 If Staff's recommendation is adopted, Granite and the other regulated companies would
2 be forced to adopt burdensome, formalized policies and potentially obtain approvals prior
3 to transferring funds. In all likelihood, the only solution to meeting the utilities' cash
4 needs would be for the providing company to go through required corporate formalities
5 and issue a potentially taxable distribution to Mr. Levie⁴. Mr. Levie would in-turn
6 provide the after-tax portion of the dividend to the receiving company to be recorded as
7 additional paid in capital. In the end, the companies would be in the same position—less
8 any income tax effects— but efficiency and transparency would be lost. The Company
9 requests that the Commission allow the Company to continue its current practice of
10 tracking the transfer of funds from one regulated affiliate to another regulated affiliate
11 through the use of intercompany receivable/payable accounts. If and to the extent this
12 practice requires Commission approval, the Company asks the Commission to issue the
13 required approval in this case or in the alternative waive the applicable requirement
14 necessitating the approval.

15 **Interim Manager**

16 **Q. WHAT IS THE COMPANY'S POSITION REGARDING STAFF'S REQUEST**
17 **FOR AUTHORITY TO APPOINT AN INTERIM MANAGER IF THE**
18 **COMPANY VIOLATES THE CODE OF AFFILIATE CONDUCT?**

19 **A.** As I understand it, Staff asks for authority, without further action by the Commission, to
20 appoint an interim manager if the Company violates the adopted Code of Affiliate
21 Conduct. I am not an attorney, but I am told that this authority would violate Granite's
22 due-process rights guaranteed by the United States Constitution. I am told further that
23 the 14th Amendment of the United States Constitution requires that a party receive notice

⁴ Note: Paul and Rae Levie jointly own all of the stock of Granite.

1 and a fair hearing before being deprived of personal or property rights, where the hearing
2 includes at least notice of the hearing, a hearing with the right to produce witnesses and
3 examine adverse witnesses, and to have a full consideration and determination according
4 to evidence before the body with whom the hearing is held. If Staff continues to make
5 this recommendation, the Company will address the legal issue in its brief.

6 To my knowledge, the Commission has heretofore justified appointment of an interim
7 manager only in extraordinary circumstances, where public health and safety is
8 jeopardized. And in every case, the appointment followed a public hearing where the
9 affected utility had notice, an opportunity to appear and present evidence, and the
10 Commission issued an order containing findings of fact and conclusion of law. Staff asks
11 to bypass these due-process safeguards by delegating to itself the ability to appoint an
12 interim manager if it determined in its sole discretion that Granite had violated the
13 Affiliate Code of Conduct. Yet, it is difficult to understand the relationship of any
14 provision suggested by Staff to public health and safety.

15 Further, Staff's request is not supported by the evidence in this case. The Company has
16 been transparent and open in its dealings with Commission. There is no evidence of any
17 willful violation of Commission rules or accounting standards. The Company has
18 cooperated in accepting Staff's recommendations and otherwise correcting any
19 accounting irregularities.

20 Finally, Staff's request would set dangerous precedent. In my experience, small water
21 companies do not have and cannot afford the staffing or expertise necessary to
22 understand and comply with every nuance of utility accounting and the Commission's
23 rate-making requirements. Mistakes are made, and they happen even at the large water
24 companies that have extensive staff dedicated to accounting and regulatory compliance.

1 A continuing threat of confiscation of a small water company from its owner does not
2 serve the public interest and would only make the difficult business of operating a small
3 water company even more difficult.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 **A. Yes.**

Granite Mountain Water Company, Inc.
Docket No. W-02467A-14-0230
Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB1

Resume Including Summary of Regulatory Experience

ARICOR

Water Solutions

Ray L. Jones P.E.

Principal

18835 North Thompson Peak Parkway, Suite 215
Scottsdale, Arizona 85255

EXPERTISE

Mr. Jones founded ARICOR Water Solutions in 2004. Through ARICOR Water Solutions, Mr. Jones offers a wide range of engineering and financial analysis services to the private and public sectors. Projects include development of regulatory strategies and preparing rate cases, including preparation of rate studies, cost of service studies, financial schedules and testimony for filings before the Arizona Corporation Commission. Services also include consultation on water and wastewater utility formation, management and operations, and valuation, including due diligence analysis, water resources strategy development and water rights valuation. ARICOR Water Solutions provides water, wastewater and water resource master planning, water and wastewater facilities design, and owner representation; including value engineering, program management and construction oversight. Lastly, ARICOR Water Solutions supports water solutions with contract operations and expert witness testimony and litigation support.

EMPLOYMENT HISTORY

2002 to 2004

Arizona-American Water Company

President

Responsible for leadership of the Arizona business activities of Arizona-American Water Company. Key responsibilities include developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1998 to 2002

Citizens Water Resources, Arizona Operations

Vice President and General Manager

Responsible for leadership of the Arizona regulated and unregulated business activities of Citizens Water Resources. Key responsibilities included developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1990 to 1998

Citizens Water Resources, Arizona Operations

Engineering and Development Services Manager

Responsible for management of a diverse group of business growth related activities. Responsibilities include: marketing of operation and maintenance services (unregulated business growth), management of new development activity (regulated business growth), management of engineering functions (infrastructure planning and construction), management of water resources planning and compliance, management of growth-related regulatory functions (CC&N's and Franchises), and management of capital budgeting functions and capital accounting functions.

1985 to 1990

Citizens Water Resources, Arizona Operations

Civil Engineer

Responsible for the planning, coordination and supervision of capital expansion and major maintenance and rehabilitation projects as assigned. Responsible for development of capital program for Maricopa County Operations.

EDUCATION

Arizona State University – Master of Business Administration (1991)

University of Kansas – Bachelor of Science in Civil Engineering (1985)

PROFESSIONAL CERTIFICATION

Registered Professional Engineer – Civil Engineering – Arizona

Professional Engineer – Civil Engineering – California

Certified Operator – Wastewater Treatment, Wastewater Collection, Water Treatment, Water Distribution – Arizona

PROFESSIONAL AFFILIATIONS

- Executive Director – Water Utilities Association of Arizona
- Member - American Society of Professional Engineers
- Member – American Society of Civil Engineers
- Member - American Water Works Association
- Member - Arizona Water Association
- Member - Water Environment Federation

CIVIC AND COMMUNITY INVOLVEMENT

- Board of Directors – Greater Maricopa Foreign Trade Zone (2009 – Present)
- Advisory Member - Water Resources Development Commission (2010 – 2012)
- Chairman WESTMARC (2008)
- Director and Member of the Executive Committee- WESTMARC (1998 – 2010)
- Co-Chairman, WESTMARC Water Committee (2006 – 2007)
- Chairman-Elect WESTMARC (2007)
- Member – Corporate Contributions Committee, West Valley Fine Arts Council Diamond Ball (Chairman 2005)
- Member – Technical Advisory Committee – Governor's Water Management Commission (2001)
- Board Member, Manager & Past Chairman – North Valley Little League Softball

REGULATORY EXPERIENCE

Testimony has been provided before the Arizona Corporation Commission in the dockets listed below. Unless otherwise indicated testimony was provided on behalf of the utility.

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
1992	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-92-244
1993	Sun City Water Company Sun City Sewer Company	CC&N Extension (Addition of Coyote Lakes)	U-1656-93-060 U-2276-93-060
1993	Tubac Valley Water Co., Inc.	CC&N Extension (Various Subdivisions on western border)	U-1595-93-241
1993	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-93-293
1995	Citizens Utilities Company Sun City Water Company Sun City Sewer Company Sun City West Utilities Company Tubac Valley Water Company	Ratemaking	E-1032-95-417 U-1656-95-417 U-2276-95-417 U-2334-95-417 U-1595-95-417
1996	City Water Company Sun City Sewer Company	CC&N Extension (Acquisition of Youngtown)	U-1656-96-282 U-2276-96-282
1996	Citizens Utilities Company	CC&N Extension and Deletion (Realignment of Surprise Bdry.)	E-1032-96-518
1998	Sun City Water Company Sun City West Utilities Company	CAP Water Plan and Accounting Order (Sun Cities CAP plan)	W-01656A-98-0577 SW-02334A-98-0577

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2000	Citizens Water Resources Company of Arizona Citizens Water Services Company of Arizona	CC&N Extension and Accounting Order (Anthen Jacka Property and Phoenix Treatment Agreement)	SW-3455-00-1022 SW-3454-00-1022
2000	Citizens Communications Company Citizens Water Services Company of Arizona	CC&N Extension and Approval of Hook-Up Fee (Verrado)	W-0132B-00-1043 SW-0354A-00-1043
2002	Arizona-American Water Company	Ratemaking	WS-01303A-02-0867 WS-01303A-02-0868 WS-01303A-02-0869 WS-01303A-02-0870 WS-01303A-02-0908
2004	Arizona-American Water Company Rancho Cabrillo Water Company Rancho Cabrillo Sewer Company	CC&N Transfer	WS-01303A-04-0089 W-01303A-04-0089 SW-03898A-04-0089
2004	Johnson Utilities Company, LLC (Representing Pulte Home Corporation)	CC&N Extension	WS-02987A-04-0288
2005	Perkins Mountain Utility Company Perkins Mountain Water Company	New CC&N & Initial Rates	WS-20379A-05-0489 W-20380A-05-0490
2005	West End Water Company	CC&N Extension	W-01157A-05-706
2005	Arizona-American Water Company	Approvals Associated with Construction of Surface Water Treatment Facility	W-01303A-05-0718
2006	Arizona-American Water Company	Ratemaking	WS-01303A-06-0403
2008	Sunrise Water Company	Ratemaking	W-02069A-08-0406
2009	Baca Float Water Company	Ratemaking	WS-01678A-09-0376
2009	Aubrey Water Company	Lost Water Evaluation (Rate Case Compliance)	W-03476A-06-0425
2009	White Horse Ranch Owner's Assn.	Ratemaking	W-04161A-09-0471
2010	Litchfield Park Service Company	Ratemaking	W-01427A-09-0104
2010	Chino Meadows II Water Company	Ratemaking	W-02370A-10-0519
2011	Pima Utility Company	Ratemaking	W-021999A-11-0329 WS-02199A-11-0330
2011	Tusayan Water Development Association, Inc. (Representing the Town of Tusayan)	Ratemaking	W-02350A-10-0163
2012	Valley Utilities Water Company, Inc.	Ratemaking	W-01412A-12-0195

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2012	Far West Water & Sewer, Inc.	Ratemaking	WS-03478A-12-0307
2012	Sahuarita Water Company, LLC	Amend Off-Site Facilities Hook-Up Fee	W-03718A-09-0359
2012	New River Utility Company	Ratemaking	W-01737A-12-0478
2013	Far West Water & Sewer, Inc.	New Off-Site Facilities Hook-Up Fees	WS-03478A-13-0200
2012	Adman Mutual Water Company	Ratemaking	W-01997A-12-0501
2013	Far West Water & Sewer, Inc.	CC&N Extension	WS-03478A-13-0250
2013	Lago Del Oro Water Company	Ratemaking	W-01944A-13-0215
2013	Lago Del Oro Water Company	Financing	W-01944A-13-0242
2012	Sunrise Water Company	Financing	W-02069A-12-0261
2010	Far West Water & Sewer, Inc.	CC&N Extension	WS-03478A-10-0523
2014	Granite Mountain Water Co., Inc.	Ratemaking	W-02467A-14-0230
2014	Chino Meadows II Water Co., Inc.	Ratemaking	W-02370A-14-0231
2014	Quail Creek Water Company	Ratemaking	W-02514A-14-0343
2015	Cordes Lakes Water Company	Ratemaking	W-02060A-15-0245
2015	BN Leasing Corporation d.b.a. Aubrey Water Company	Ratemaking	W-03476A-15-0286

August, 2015

Granite Mountain Water Company, Inc.
Docket No. W-02467A-14-0230
Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB2

Rebuttal Schedules

Line No.		OCRB
1	Adjusted Rate Base	\$ 583,926
2		
3	Adjusted Operating Income	(2,694)
4		
5	Current Rate of Return	-0.46%
6		
7	Required Rate of Return	8.03%
8		
9	Required Operating Income	\$ 46,895
10		
11	Operating Income Deficiency	\$ 49,589
12		
13	Gross Revenue Conversion Factor	1.2089
14		
15	Increase in Gross Revenue	\$ 59,950
16		
17	Adjusted Test Year Revenue	\$ 117,320
18		
19	Proposed Annual Revenue	\$ 177,270
20		
21	Percent Increase in Gross Revenue	51.10%
22		
23		

Granite Mountain Water Co., Inc.
Test Year Ended December 31, 2013
Summary of Original Cost Rate Base Elements

Schedule RLJ-2
Rebuttal
Page 1

Line No.		Original Cost <u>Rate Base*</u>
1		
2	Gross Utility Plant in Service	\$ 1,116,126
3		
4	Less: Accumulated Depreciation	<u>(533,361)</u>
5		
6	Net Utility Plant in Service	582,765
7		
8	Less:	
9	Advances in Aid of Construction	6,021
10		
11	Contributions in Aid of Construction	-
12	Accumulated Amortization of CIAC	<u>-</u>
13	Contributions in Aid of Construction - Net	-
14		
15	Customer Security Deposits	750
16	Deferred Income Taxes	-
17		
18	Plus:	
19	Working Capital	7,932
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	<u>\$ 583,926</u>
23		
24	* including pro forma adjustments	
25		

Line No.	Actual End of Test Year	ADJ OC-1	ADJ OC-2	ADJ OC-3 NOT USED	ADJ OC-4	Rebuttal Adjustments	Total Pro Forma Adjustments	Adjusted End of Test Year
1								
2	\$ 846,548	\$ 248,893				\$ 20,685	\$ 269,578	\$ 1,116,126
3								
4			23,553			(870)	22,683	(533,361)
5								
6	290,504	248,893	23,553	-	-	19,815	292,261	582,765
7								
8								
9	8,256					(2,235)	(2,235)	6,021
10								
11								
12	-							-
13	-							-
14	-							-
15	70				680		680	750
16								
17								
18								
19	10,662					(2,730)	(2,730)	7,932
20								
21								
22	\$ 292,840	\$ 248,893	\$ 23,553	\$ -	(680)	\$ 19,320	\$ 291,085	\$ 583,926
23								
24								
25								
26								
27								

Plant In Service Balance

Book Adjustments - (Included on Schedule B.2.1)

Book Adjustments - (Included on Schedule B.2.1)																
Line No.	Acct No.	Description	Actual End of Test Year	Direct Filing			Rebuttal		Rate Making Adjustments				Adjusted End of Test Year	Adjusted End of Test Year		
				[1.1] Conform to Decision No. 71869	[1.2] NOT USED	[1.3] ReClass Plant Entries	[1.4] Staff Adjustment No. 2	Adjusted Book End of Test Year ¹	Direct Post Test Year Plant	[1.6] Staff Adjustment No. 1	[1.7] Company Differences From Staff	Net PTY Plant Related to Well No. 6			[1.8] PTY Plant Tank No. 3	[1.9] PTY Plant ² Well No. 4
4	301	Organization Cost	\$ 110	\$ -	-	-	\$ 110	-	-	-	-	-	-	\$ 110	-	
5	302	Franchise Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	3	Land and Land Rights	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	304	Structures & Improvements	21,608	-	-	-	36,913	58,521	14,700	33,800	48,500	21,373	-	48,500	-	
8	305	Collecting & Impounding Reservoirs	-	-	-	-	-	-	8,373	13,000	21,373	-	-	79,894	-	
9	306	Lake, River, Canal Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	307	Wells & Springs	38,472	-	-	-	539	39,011	(44,065)	(9,000)	21,935	-	-	60,946	-	
11	308	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	309	Raw Water Supply Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	310	Power Generation Equipment	10,406	-	(10,406)	912	912	912	-	-	-	-	-	912	-	
14	311	Pumping Equipment	94,776	-	10,406	(912)	(912)	104,270	11,270	1,599	12,868	-	4,769	121,906	-	
15	320	Water Treatment Equipment	-	-	1,661	(1,661)	(1,661)	-	-	-	-	-	-	-	-	
16	320.1	Water Treatment Plants	-	-	-	-	-	-	-	-	-	-	-	-	-	
17	320.2	Solution Chemical Feeders	2,077	-	(1,661)	1,661	1,661	2,077	5,669	-	5,669	-	-	-	-	
18	330	Distribution Reservoirs & Standpipes	7,775	-	(7,775)	(7,775)	(36,288)	-	-	-	-	-	-	7,745	-	
19	330.1	Storage Tanks	106,705	-	-	-	-	70,417	(144,000)	-	-	99,830	-	170,247	-	
20	330.2	Pressure Tanks	55,213	-	-	-	-	55,213	-	-	-	-	-	55,213	-	
21	331	Transmission & Distribution Mains	415,165	-	-	-	-	415,165	4,869	-	34,869	-	-	450,034	-	
22	333	Services	55,853	-	-	-	-	55,853	81	-	81	-	-	55,934	-	
23	334	Meters	6,760	(107)	-	-	-	6,652	1,196	(1,196)	-	-	-	6,652	-	
24	335	Hydrants	8,774	-	-	-	-	8,774	-	-	-	-	-	8,774	-	
25	336	Backflow Prevention Devices	1,027	-	-	-	-	1,027	-	-	-	-	-	1,428	-	
26	339	Other Plant & Misc Equipment	4,850	-	-	-	-	4,850	402	-	402	-	-	4,850	-	
27	340	Office Furniture & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	
28	340.1	Computers & Software	-	-	3,500	-	-	3,500	-	-	-	-	-	-	-	
29	341	Transportation Equipment	7,456	-	-	-	19,000	26,456	-	-	-	-	-	3,500	-	
30	342	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	26,456	-	
31	343	Tools, Shop & Garage Equipment	149	-	(149)	-	(149)	-	-	-	-	-	-	-	-	
32	344	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	
33	345	Power Operated Equipment	5,000	-	-	-	-	5,000	-	-	-	-	-	5,000	-	
34	346	Communication Equipment	4,353	-	(3,500)	7,150	8,003	8,003	-	-	-	-	-	8,003	-	
35	347	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	
36	348	Other Tangible Plant	20	-	-	-	-	20	-	-	-	-	-	-	-	
37	TOTALS		\$ 846,548	\$ (107)	\$ -	\$ -	\$ 19,390	\$ 865,831	\$ 249,000	\$ (141,506)	\$ 38,203	\$ 145,697	\$ 99,830	\$ 4,769	\$ 1,116,126	
38	Equity Adjustments (Attachment 3, pg 2)		\$ -	\$ (107)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Total	\$ 846,548
Equity Adj.	\$ 269,578
Total	\$ (107)

¹ Adjusted plant in service balance including all book adjustments.

² Net of retirement: \$9,448.82 new pump - \$4,680.00 retirement of old pump = net plant increase of \$4,768.82

Book Adjustments - (Included on Schedule B.2.1)

¹ Adjusted accumulated depreciation balance including all book adjustments.

Granite Mountain Water Co., Inc.
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Schedule RLJ-2
Rebuttal
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Line No.	NARUC Account No.	Description	Per Decision No. 71869 - 09/01/2010										Conform Current Books to 71869			
			[1] Plant In Service at 12/31/2008	[2] Less Post Test Year Plant	[3] Book Plant at 12/31/2008	[4] Accum. Depr. 12/31/2008	[5] Net Plant 12/31/2008	[6] Non or Fully Depreciated Plant ¹	[7] Deprable Plant	[8] Book Plant at 12/31/2008	[9] Conforming Adjustment	[10] Adjusted Plant at 12/31/2008				
1	301	Organization Cost	110		110											
2	302	Franchise Cost														
3	303	Land and Land Rights														
4	304	Structures & Improvements														
5	305	Collecting & Impounding Reservoirs	21,608		21,608	11,506	10,102		21,608	57,379	(35,771)	21,608				
6	306	Lake, River, Canal Intakes														
7	307	Wells & Springs														
8	308	Infiltration Galleries	38,472		38,472	20,485	17,987		38,472	52,027	(13,555)	38,472				
9	309	Raw Water Supply Mains														
10	310	Power Generation Equipment														
11	311	Pumping Equipment								991	(991)					
12	320	Water Treatment Equipment	104,270		104,270	55,521	48,749		104,270	94,494	(9,494)					
13	320	Water Treatment Plants								94,776	9,494	104,270				
14	320	Solution Chemical Feeders														
15	330	Distribution Reservoirs & Standpipes	1,661		1,661	884	776									
16	330.1	Storage Tanks								1,661						
17	330.2	Pressure Tanks														
18	331	Transmission & Distribution Mains	7,325		7,325	3,900	3,425		7,325	7,325						
19	333	Services	55,213		55,213	29,400	25,814		55,213							
20	334	Meters	412,204		412,204	219,489	192,715		412,204	400,508	11,696	412,204				
21	335	Hydrants	55,853		55,853	29,740	26,113		55,853	55,853						
22	336	Backflow Prevention Devices	3,434		3,434	1,829	1,605		3,434	3,541	(107)	3,434				
23	339	Other Plant & Misc Equipment	8,774		8,774	4,672	4,102		8,774	8,774						
24	340	Office Furniture & Equipment	1,027		1,027	547	480		1,027	1,027						
25	340.1	Computers & Software	4,850		4,850	2,583	2,267		4,850	34,998	(30,148)					
26	341	Transportation Equipment														
27	342	Stores Equipment														
28	343	Tools, Shop & Garage Equipment														
29	344	Laboratory Equipment														
30	345	Power Operated Equipment														
31	346	Communication Equipment	5,000		5,000	2,662	2,338									
32	347	Miscellaneous Equipment	853		853	454	399		5,000	5,000		5,000				
33	348	Other Tangible Plant							853	853		853				
34			20		20	11	9									
35		TOTAL	720,673		720,673	383,682	336,991		720,673	734,335	(13,662)	720,673				
36		Depreciable Plant														
37		Composite Depreciation Rate														

¹ Per Staff Depreciation Calculation

Page 5.2

809,157
3.8029%

¹ Per Staff Depreciation Calculation

Granite Mountain Water Co., Inc.

Test Year Ended December 31, 2013

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Schedule RLJ-2
Rebuttal
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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010						Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Retirements	Adjusted Plant Retirements	
1	301	Organization Cost	0.00%							
2	302	Franchise Cost	0.00%							
3	303	Land and Land Rights	0.00%							
4	304	Structures & Improvements	3.33%							
5	305	Collecting & Impounding Reservoirs	2.50%							
6	306	Lake, River, Canal Intakes	2.50%							
7	307	Wells & Springs	3.33%							
8	308	Infiltration Galleries	6.67%							
9	309	Raw Water Supply Mains	2.00%							
10	310	Power Generation Equipment	5.00%							
11	311	Pumping Equipment	12.50%							
12	320	Water Treatment Equipment	3.33%							
13	320	Water Treatment Plants	3.33%							
14	320	Solution Chemical Feeders	20.00%	416		416				
15	330	Distribution Reservoirs & Standpipes	2.22%	450	(450)					
16	330.1	Storage Tanks	2.22%	21,072	(6,700)	14,372				
17	330.2	Pressure Tanks	5.00%							
18	331	Transmission & Distribution Mains	2.00%							
19	333	Services	3.33%							
20	334	Meters	8.33%	2,628		2,628				
21	335	Hydrants	2.00%							
22	336	Backflow Prevention Devices	6.67%							
23	339	Other Plant & Misc Equipment	6.67%							
24	340	Office Furniture & Equipment	6.67%							
25	340.1	Computers & Software	20.00%							
26	341	Transportation Equipment	20.00%		3,500	3,500				
27	342	Stores Equipment	4.00%							
28	343	Tools, Shop & Garage Equipment	5.00%							
29	344	Laboratory Equipment	10.00%							
30	345	Power Operated Equipment	5.00%							
31	346	Communication Equipment	10.00%	3,500	3,650	7,150				
32	347	Miscellaneous Equipment	10.00%							
33	348	Other Tangible Plant	20.00%							
34										
35		TOTAL		28,067		28,067				
36										
37		Depreciable Plant								
38		Composite Depreciation Rate								
39										
40		¹ Per Staff Depreciation Calculation								

837,223
3.9386%

Granite Mountain Water Co., Inc.
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011						Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Retirements	Adjusted Plant Retirements				
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	110	-	110
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.33%	-	-	-	-	-	-	1,949	58,521	16,737	41,784
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	1,281	38,472	24,329	14,143
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	912	-	912	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	-	-	-	-	-	-	23	912	23	889
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	13,034	104,270	94,622	9,648
13	320	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-	-
14	320	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	415	2,077	2,005	71
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	1,563	70,417	7,571	62,846
18	331	Transmission & Distribution Mains	2.00%	-	-	-	-	-	-	2,761	55,213	37,682	17,532
19	333	Services	3.33%	-	-	-	-	-	-	8,303	415,165	244,369	170,796
20	334	Meters	8.33%	-	-	-	-	-	-	1,860	55,853	35,320	20,533
21	335	Hydrants	2.00%	-	-	-	-	-	-	505	6,062	3,015	3,047
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	175	8,774	5,199	3,576
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	68	1,027	752	275
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	324	4,850	3,553	1,297
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	7,456	-	7,456	-	-	-	700	3,500	1,050	2,450
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	746	7,456	746	6,711
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-	250	5,000	3,412	1,588
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	800	8,003	1,783	6,220
33	348	Other Tangible Plant	20.00%	-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	1	20	20	0
35		TOTAL		8,369	-	8,369	-	-	-	34,759	845,702	482,187	363,515
36				-	-	-	-	-	-	-	-	-	-
37		Depreciable Plant		-	-	-	-	-	-	-	845,592	-	-
38		Composite Depreciation Rate		-	-	-	-	-	-	-	-	-	4.1106%
39				-	-	-	-	-	-	-	-	-	-

40 ¹ Per Staff Depreciation Calculation

NARUC Account		Description	Allowed Deprec. Rate	2012									
Line No.	Account No.			Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Retirements	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%			-		-			110	-	110
2	302	Franchise Cost	0.00%			-		-			-	-	-
3	303	Land and Land Rights	0.00%			-		-			-	-	-
4	304	Structures & Improvements	3.33%			-		-			-	-	-
5	305	Collecting & Impounding Reservoirs	2.50%			-		-		1,949	58,521	18,686	39,835
6	306	Lake, River, Canal Intakes	2.50%			-		-		-	-	-	-
7	307	Wells & Springs	3.33%			-		-		-	-	-	-
8	308	Infiltration Galleries	6.67%			-		-		-	-	-	-
9	309	Raw Water Supply Mains	2.00%			-		-		1,281	38,472	25,610	12,862
10	310	Power Generation Equipment	5.00%			-		-		-	-	-	-
11	311	Pumping Equipment	12.50%			-		-		46	912	68	844
12	320	Water Treatment Equipment	3.33%			-		-		9,648	104,270	104,270	0
13	320	Water Treatment Plants	3.33%			-		-		-	-	-	-
14	320	Solution Chemical Feeders	20.00%			-		-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%			-		-		71	2,077	2,077	(0)
16	330.1	Storage Tanks	2.22%			-		-		-	-	-	-
17	330.2	Pressure Tanks	5.00%			-		-		-	-	-	-
18	331	Transmission & Distribution Mains	2.00%			-		-		1,563	70,417	9,134	61,283
19	333	Services	3.33%			-		-		2,761	55,213	40,442	14,771
20	334	Meters	8.33%	590		-		-		8,303	415,165	252,672	162,493
21	335	Hydrants	2.00%			-		-		1,860	55,853	37,180	18,673
22	336	Backflow Prevention Devices	6.67%			-		-		530	6,652	3,545	3,108
23	339	Other Plant & Misc Equipment	6.67%			-		-		175	8,774	5,374	3,400
24	340	Office Furniture & Equipment	6.67%			-		-		68	1,027	820	206
25	340.1	Computers & Software	20.00%			-		-		324	4,850	3,877	973
26	341	Transportation Equipment	20.00%			-		-		-	-	-	-
27	342	Stores Equipment	4.00%			-		-		700	3,500	1,750	1,750
28	343	Tools, Shop & Garage Equipment	5.00%			-		-		1,491	7,456	2,237	5,219
29	344	Laboratory Equipment	10.00%			-		-		-	-	-	-
30	345	Power Operated Equipment	5.00%			-		-		-	-	-	-
31	346	Communication Equipment	10.00%			-		-		250	5,000	3,662	1,338
32	347	Miscellaneous Equipment	10.00%			-		-		800	8,003	2,583	5,420
33	348	Other Tangible Plant	20.00%			-		-		-	-	-	-
34						-		-		-	-	-	-
35		TOTAL		590		590	-	-		31,820	846,292	514,007	332,285
36		Depreciable Plant											
37		Composite Depreciation Rate											
38													
39													
40													

846,182

3.7604%

¹ Per Staff Depreciation Calculation

Granite Mountain Water Co., Inc.

Test Year Ended December 31, 2013

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2013					Depreciation (Calculated)	Salvage A/D Only	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Adjusted Plant Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	110	-	110
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.33%	-	-	-	-	-	1,949	-	58,521	20,635	37,886
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	539	539	-	-	1,290	-	39,011	26,900	12,111
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	-	-	-	-	-	46	-	912	114	798
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	104,270	104,270	0
13	320	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-	-
14	320	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	2,077	2,077	(0)
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	1,563	-	70,417	10,697	59,720
18	331	Transmission & Distribution Mains	2.00%	-	-	-	-	-	2,761	-	55,213	43,203	12,010
19	333	Services	3.33%	-	-	-	-	-	8,303	-	415,165	260,975	154,190
20	334	Meters	8.33%	-	-	-	-	-	1,860	-	55,853	39,040	16,813
21	335	Hydrants	2.00%	-	-	-	-	-	554	-	6,652	4,099	2,554
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	175	-	8,774	5,550	3,225
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	68	-	1,027	889	138
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	324	-	4,850	4,200	650
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	19,000	19,000	-	-	700	-	3,500	2,450	1,050
27	342	Stores Equipment	4.00%	-	-	-	-	-	3,391	-	26,456	5,628	20,828
28	343	Tools, Shop & Garage Equipment	5.00%	149	(149)	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	250	-	5,000	3,912	1,088
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	800	-	8,003	3,383	4,620
33	348	Other Tangible Plant	20.00%	-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	20	20	0
35		TOTAL		149	19,390	19,539	-	-	24,035	-	865,831	538,041	327,789
36													
37		Depreciable Plant									865,721		
38		Composite Depreciation Rate									2.7763%		

40 ¹ Per Staff Depreciation Calculation

Line

No.

1		
2	Operation and Maintenance Expense	\$ 60,410
3	Less depreciation, taxes, purchased	
4	power and purchased water	
5	Factor - 1/8	<u>0.1250</u>
6		\$ 7,551
7		
8	Purchased Power and Purchased Water	\$ 9,139
9	Factor - 1/24	<u>0.0417</u>
10		\$ 381
11		
12	Total Cash Working Capital	<u>\$ 7,932</u>
13		
14		

Line No.		Actual for Test Year Ended 12/31/2013	Total Pro forma Adjustments	Test Year Results After Pro forma Adjustments	Proposed Rate Increase	Adjusted With Rate Increase
1	Revenues					
2	460 Unmetered Water Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
3	461 Metered Water Revenues	112,585	1,561	114,145	59,950	174,096
4	471 Miscellaneous Service Revenue	3,174	-	3,174	-	3,174
5	Total Revenues	\$ 115,759	\$ 1,561	\$ 117,320	\$ 59,950	\$ 177,270
6	Operating Expenses					
7	601 Salaries and Wages	\$ 39,942	\$ (8,618)	\$ 31,324		\$ 31,324
8	603 Salaries and Wages - Officers and Directors	-	6,440	6,440		6,440
9	604 Employee Pension and Benefits	-	-	-		-
10	610 Purchased Water	-	-	-		-
11	615 Purchased Power	8,950	190	9,139		9,139
12	618 Chemicals	47	45	92		92
13	620 Repairs and Maintenance	4,339	(2,433)	1,906		1,906
14	621 Office Supplies Expense	8,314	(3,876)	4,437		4,437
15	631 Contractual Services - Engineering	-	-	-		-
16	632 Contractual Services - Accounting	-	-	-		-
17	633 Contractual Services - Legal	-	-	-		-
18	634 Contractual Services - Management Fees	-	-	-		-
19	635 Contractual Services - Testing	5,380	(3,530)	1,850		1,850
20	636 Contractual Services - Other	11,353	(6,709)	4,644		4,644
21	641 Rent - Buildings	-	2,194	2,194		2,194
22	642 Rent - Equipment	-	-	-		-
23	650 Transportation Expense	5,453	(1,214)	4,239		4,239
24	656 Insurance - Vehicle	-	-	-		-
25	657 Insurance - General Liability	1,292	282	1,574		1,574
26	658 Insurance - Workman's Compensation	-	-	-		-
27	659 Insurance - Other	-	520	520		520
28	660 Advertising Expense	-	-	-		-
29	666 Regulatory Commission Expense - Rate Case	-	10,000	10,000		10,000
30	667 Regulatory Expense - Other	321	-	321		321
31	668 Water Resource Conservation Expense	-	-	-		-
32	670 Bad Debt Expense	-	772	772	395	1,167
33	675 Miscellaneous Expense	840	(744)	96		96
34	403 Depreciation Expense	33,874	(207)	33,667		33,667
35	408 Taxes Other Than Income	-	2,765	2,765		2,765
36	408.11 Property Taxes	1,619	2,791	4,410	826	5,236
37	409 Income Tax	-	(379)	(379)	9,141	8,762
38	Total Operating Expenses	\$ 121,723	\$ (1,710)	\$ 120,013	\$ 10,362	\$ 130,375
39	Operating Income	\$ (5,964)	\$ 3,270	\$ (2,694)	\$ 49,589	\$ 46,895
40	Other Income (Expense)					
41	419 Interest and Dividend Income	\$ -	\$ -	\$ -		\$ -
42	421 Non-Utility Income	59	-	59		59
43	426 Miscellaneous Non-Utility Expenses	-	-	-		-
44	427 Interest Expense	(34)	34	-		-
45	Total Other Income (Expense)	\$ 24	\$ 34	\$ 59	\$ -	\$ 59
46	Net Income (Loss)	\$ (5,940)	\$ 3,305	\$ (2,635)	\$ 49,589	\$ 46,954
47						

Line No.	Description	Actual for Test Year Ended 12/31/2013	ADJ IS-1 Eliminate Revenue Adjustments	ADJ IS-2 Correct Underbilled Revenue	ADJ IS-3 2014 Salary Increase	ADJ IS-4 Reclass Cust. Deposit Interest	ADJ IS-5 Reclass Bad Debt Expense	Rebuttal Adjustments			Witness:
								Staff Adj. No. 1	Staff Adj. No. 2 - 6	Staff Adj. No. 7	Staff Adj. No. 8
1	Revenues										
1	460 Unmetered Water Revenue	\$ -									
2	461 Metered Water Revenues	112,585	1,040	647				(127)			
3	471 Miscellaneous Service Revenue	3,174									
4	Total Revenues	\$ 115,759	\$ 1,040	\$ 647	\$ -	\$ -	\$ -	\$ (127)	\$ -	\$ -	\$ -
5	Operating Expenses										
6	601 Salaries and Wages	\$ 39,942			\$ 5,000						
7	603 Salaries and Wages - Officers and Directors	-									(\$13,618)
8	604 Employee Pension and Benefits	-									6,440
9	610 Purchased Water	-									
10	615 Purchased Power	8,950									
11	618 Chemicals	47									190
12	620 Repairs and Maintenance	4,339									45
13	621 Office Supplies Expense	8,314							(1,792)		(641)
14	631 Contractual Services - Engineering	-							(1,727)		(2,149)
15	632 Contractual Services - Accounting	-									
16	633 Contractual Services - Legal	-									
17	634 Contractual Services - Management Fees	-									
18	635 Contractual Services - Testing	5,380							(3,530)		822
19	636 Contractual Services - Other	11,353							(7,531)		2,194
20	641 Rent - Buildings	-									
21	642 Rent - Equipment	-									
22	650 Transportation Expense	5,453							(900)		(314)
23	656 Insurance - Vehicle	-									
24	557 Insurance - General Liability	1,292									282
25	658 Insurance - Workman's Compensation	-									
26	659 Insurance - Other	-									520
27	660 Advertising Expense	-									
28	666 Regulatory Commission Expense - Rate Case	-								6,667	
29	667 Regulatory Expense - Other	321									
30	668 Water Resource Conservation Expense	-									
31	670 Bad Debt Expense	-									
32	675 Miscellaneous Expense	840					772				(6)
33	403 Depreciation Expense	33,874				34	(772)				
34	408 Taxes Other Than Income	-									
35	408 Property Taxes	-									
36	409 Income Tax	1,619									2,765
37	Total Operating Expenses	\$ 121,723	\$ -	\$ -	\$ 5,000	\$ 34	\$ -	\$ -	\$ (15,480)	\$ 6,667	\$ (3,470)
38	Operating Income	\$ (5,964)	\$ 1,040	\$ 647	\$ (5,000)	\$ (34)	\$ -	\$ (127)	\$ 15,480	\$ (6,667)	\$ 3,470
39	Other Income (Expense)										
40	419 Interest and Dividend Income	\$ -									
41	421 Non-Utility Income	59									
42	426 Miscellaneous Non-Utility Expenses	-									
43	427 Interest Expense	(34)				34					
44	Total Other Income (Expense)	\$ 24	\$ -	\$ -	\$ -	\$ 34	\$ -	\$ -	\$ -	\$ -	\$ -
45	Net Income (Loss)	\$ (5,940)	\$ 1,040	\$ 647	\$ (5,000)	\$ -	\$ -	\$ (127)	\$ 15,480	\$ (6,667)	\$ 3,470

Granite Mountain Water Co., Inc.

Test Year Ended December 31, 2013

Income Statement Pro forma Adjustments

Schedule RJ-3
Rebuttal
Page 3

Line No.	Revenues	Updated Rebuttal Adjustments					Total Adjustments	Test Year Adjusted Results
		ADJ IS-6 Rate Case Expense	ADJ IS-7 Adjust Depreciation Expense	ADJ IS-8 Adjust Property Taxes	ADJ IS-9 Income Tax Allowance			
1	460 Unmetered Water Revenue					\$ -	\$ -	\$ -
2	461 Metered Water Revenues						1,561	114,145
3	471 Miscellaneous Service Revenue						-	3,174
4	Total Revenues					\$ -	\$ -	\$ -
5	Operating Expenses						1,561	117,320
6	601 Salaries and Wages							
7	603 Salaries and Wages - Officers and Directors						(8,618)	31,324
8	604 Employee Pension and Benefits						6,440	6,440
9	610 Purchased Water						-	-
10	615 Purchased Power						-	-
11	618 Chemicals						190	9,139
12	620 Repairs and Maintenance						45	92
13	621 Office Supplies Expense						(2,433)	1,906
14	631 Contractual Services - Engineering						(3,876)	4,437
15	632 Contractual Services - Accounting						-	-
16	633 Contractual Services - Legal						-	-
17	634 Contractual Services - Management Fees						-	-
18	635 Contractual Services - Testing						-	-
19	636 Contractual Services - Other						(3,530)	1,850
20	641 Rent - Buildings						(6,709)	4,644
21	642 Rent - Equipment						2,194	2,194
22	650 Transportation Expense						-	-
23	656 Insurance - Vehicle						(1,214)	4,239
24	657 Insurance - General Liability						-	-
25	658 Insurance - Workman's Compensation						282	1,574
26	659 Insurance - Other						-	-
27	660 Advertising Expense						520	520
28	666 Regulatory Commission Expense - Rate Case	3,333					-	-
29	667 Regulatory Expense - Other						-	-
30	668 Water Resource Conservation Expense						10,000	10,000
31	670 Bad Debt Expense						-	321
32	675 Miscellaneous Expense						-	-
33	403 Depreciation Expense		(207)				772	772
34	408 Taxes Other Than Income						(744)	96
35	408 Property Taxes						(207)	33,667
36	409 Income Tax			2,791			2,765	2,765
37	Total Operating Expenses				(379)		2,791	4,410
38	Operating Income	\$ 3,333	\$ (207)	\$ 2,791	\$ (379)		(379)	(379)
39	Other Income (Expense)	\$ (3,333)	\$ 207	\$ (2,791)	\$ 379		(1,710)	120,013
40	419 Interest and Dividend Income						3,270	(2,694)
41	421 Non-Utility Income						-	-
42	426 Miscellaneous Non-Utility Expenses						-	59
43	427 Interest Expense						-	-
44	Total Other Income (Expense)						34	-
45	Net Income (Loss)	\$ (3,333)	\$ 207	\$ (2,791)	\$ 379		3,305	(2,635)

Line

No.

1 Eliminate Revenue Adjustments

2

3 Eliminate various nonrecurring revenue adjustments

4

As Booked

5 Prior Period Adjustment - 5/8" x 3/4" Meter Revenue

\$ (1,564.42)

6 Non Bill Usage - Residential

(70.33)

7 J.E. Error

(30.00)

8 Prior Period Adjustment - Other

(3.00)

9 Prior Period Adjustment - Other

(7,900.21)

10 Prior Period Adjustment - Other

8,527.58

11

\$ (1,040.38)

12

13 Increase/(Decrease) in Metered

\$ 1,040.38

14

Line

No.

1	<u>Correct Underbilled Revenue</u>		
2			
3	For the 5/8" x 3/4" Class, usage between 10,001 gallons and 14,000 gallons		
4	was billed at \$6.60 per 1,000 gallons rather than \$7.90 per 1,000 gallons.		
5			
6	5/8" x 3/4" Class usage between 10,001 gallons and 14,000 gallons	497,860	gallons
7	Rate Differential	\$	-
8	Underbilled Revenue	\$	1.30
9			647.22
10			
11	Increase/(Decrease) in Metered Revenue	\$	647.22
12			

Line

No.

1 Adjust for 2014 Salary Increase

2

3 Total 2014 increase in employee salary \$ 20,000.00

4 Percentage Allocated to Granite Mountain 25%

5 Salary increase for Granite Mountain \$ 5,000.00

6

7 Increase/(Decrease) in Salaries and Wages \$ 5,000.00

8

9

Line

No.

1 Reclass Customer Deposit Interest

2

3

4 Customer Deposit Interest Charged to Interest Expense

34.35

5

6 Increase/(Decrease) in Interest Expense

\$ (34.35)

7

8 Increase/(Decrease) in Miscellaneous Expense

\$ 34.35

9

10

Line
No.

1	<u>Reclass Bad Debt Expense</u>	
2		
3		
5	Customer Bad Debt Charged to Miscellaneous Expense	772.17
6		
7	Increase/(Decrease) in Miscellaneous Expense	<u>\$ (772.17)</u>
8		
9	Increase/(Decrease) in Bad Debt Expense	<u>\$ 772.17</u>
10		
11		
12		
13		
14		
15		

Adjust Rate Case Expense

Line			
<u>No.</u>			
1	Estimated Rate Case Expense	\$	10,000
2			
3	Amortization Period (Years)		3
4			
5	Annualized Rate Case Expense	\$	3,333
6			
7	Test Year Rate Case Expense		-
8			
9	Increase / (Decrease) in Rate Case Expense		3,333
10			

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line	No.	Acct Description	Adjusted Test Year Balance 12/31/2013	Fully Depreciated Plant	Depreciable Plant	Proposed Depreciation Rate	Depreciation Expense
1							
2	301	Organization Cost	\$ 110		\$ 110	0.00%	\$ -
3	302	Franchise Cost	-		-	0.00%	-
4	3	Land and Land Rights	48,500		48,500	0.00%	-
5	304	Structures & Improvements	79,894		79,894	3.33%	2,660
6	305	Collecting & Impounding Reservoirs	-		-	2.50%	-
7	306	Lake, River, Canal Intakes	-		-	2.50%	-
8	307	Wells & Springs	60,946		60,946	3.33%	2,030
9	308	Infiltration Galleries	-		-	6.67%	-
10	309	Raw Water Supply Mains	-		-	2.00%	-
11	310	Power Generation Equipment	912		912	5.00%	46
12	311	Pumping Equipment	121,906	(104,270)	17,637	12.50%	2,205
13	320	Water Treatment Equipment	-		-	3.33%	-
14	320.1	Water Treatment Plants	-		-	3.33%	-
15	320.2	Solution Chemical Feeders	7,745	(2,077)	5,669	20.00%	1,134
16	330	Distribution Reservoirs & Standpipes	-		-	2.22%	-
17	330.1	Storage Tanks	170,247		170,247	2.22%	3,779
18	330.2	Pressure Tanks	55,213		55,213	5.00%	2,761
19	331	Transmission & Distribution Mains	450,034		450,034	2.00%	9,001
20	333	Services	55,934		55,934	3.33%	1,863
21	334	Meters	6,652		6,652	8.33%	554
22	335	Hydrants	8,774		8,774	2.00%	175
23	336	Backflow Prevention Devices	1,428		1,428	6.67%	95
24	339	Other Plant & Misc Equipment	4,850		4,850	6.67%	324
25	340	Office Furniture & Equipment	-		-	6.67%	-
26	340.1	Computers & Software	3,500		3,500	20.00%	700
27	341	Transportation Equipment	26,456		26,456	20.00%	5,291
28	342	Stores Equipment	-		-	4.00%	-
29	343	Tools, Shop & Garage Equipment	-		-	5.00%	-
30	344	Laboratory Equipment	-		-	10.00%	-
31	345	Power Operated Equipment	5,000		5,000	5.00%	250
32	346	Communication Equipment	8,003		8,003	10.00%	800
33	347	Miscellaneous Equipment	-		-	10.00%	-
34	348	Other Tangible Plant	20	(20)	0	20.00%	-
35		TOTALS	\$ 1,116,126	\$ (106,366)	\$ 1,009,760		\$ 33,667
36							
37		Less: Amortization of CIAC	\$ -			3.5028%	\$ -
38							
39		Adjusted Test Year Depreciation Expense					\$ 33,667
40							
41		Test Year Depreciation Expense					\$ 33,874
42							
43		Increase / (Decrease) in Depreciation Expense					\$ (207)

Adjust Property Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Company As Adjusted	Company Proposed
1	Adjusted Test Year Revenue	\$ 117,320	\$ 117,320
2	Adjusted Test Year Revenue	117,320	117,320
3	Adjusted Test Year Revenue	117,320	
4	Proposed Revenues after Increase		177,270
5	Average of three year's of revenue	117,320	137,303
6	Average of three year's of revenue, times 2	234,639	274,606
7	Add:		
8	Construction Work In Progress at 10%	-	-
9	Deduct:		
10	Net Book Value of Transportation Equipment	21,165	21,165
11			
12	Full Cash Value	213,474	253,441
13	Assessment Ratio	18.5%	18.5%
14	Assessed Value	39,493	46,887
15	Property Tax Rate (2012 Tax Year)	11.1667%	11.1667%
16			
17	Adjusted Test Year Property Tax	\$ 4,410	
18	Recorded Test Year Property Tax	1,619	
19	Test Year Adjustment	\$ 2,791	
20			
21	Property Tax at Proposed Rates		\$ 5,236
22	Adjusted Test Year Property Tax		4,410
23	Increase in Property Tax due to Rate Increase		\$ 826
24			
25	<u>Calculation of Property Tax Factor</u>		
26	Increase to Property Tax Expense		\$ 826
27	Increase in Revenue Requirement		\$ 59,950
28	Property Tax Factor (L25 / L26)		1.3772%
29			
30		2013	
31	CALCULATION OF TAX RATE	<u>Value</u>	<u>Ratio</u>
32	923-70-190	157,000	19.5%
			<u>Tax Value</u>
			30,615
			<u>Tax</u>
			3,419
			<u>Rate</u>
			11.1667%

Adjust Income Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Adjusted Test Year	Proposed with Increase
1			
2	<u>Calculation of Income Tax:</u>		
3	Revenue	\$ 117,320	\$ 177,270
4	Less: Operating Expenses (Excluding Income Taxes)	120,392	121,613
5	Less: Synchronized Interest		-
6	Arizona Taxable Income	\$ (3,073)	\$ 55,657
7	<u>AZ - Individual Tax Calculation (Married Filing Jointly - 2015)</u>		
8	<u>Over</u> <u>But not Over</u> <u>Amount plus</u> <u>%</u>		
9	\$ - \$ 20,000 \$ - 2.5900%	\$ (80)	\$ -
10	20,000 50,000 (58.00) 2.8800%	-	-
11	50,000 100,000 (298.00) 3.3600%	-	1,572
12	100,000 300,000 (1,178.00) 4.2400%	-	-
13	300,000 999,999,999 (2,078.00) 4.5400%	-	-
14	Arizona Income Tax	\$ (80)	\$ 1,572
15	Federal Taxable Income	\$ (2,993)	\$ 54,085
16	<u>Federal - Individual Tax Calculation (Married Filing Jointly - 2015)</u>		
17	<u>Over</u> <u>But not Over</u> <u>Amount plus</u> <u>%</u>		
18	\$ - \$ 18,450 \$ - 10.0000%	\$ (299)	\$ -
19	18,450 74,900 1,845.00 15.0000%	-	7,190
20	74,900 151,200 10,312.50 25.0000%	-	-
21	151,200 230,450 29,387.50 28.0000%	-	-
22	230,450 411,500 51,577.50 33.0000%	-	-
23	411,500 464,850 111,324.00 35.0000%	-	-
24	464,850 9,999,999,999 129,996.50 39.6000%		
25			
26	Total Federal Income Tax	\$ (299)	\$ 7,190
27			
28	Combined Federal and State Income Tax	\$ (379)	\$ 8,762
29			
30	Effective State Tax Rate	2.5900%	2.8246%
31	Effective Federal Tax Rate	10.0000%	13.2944%
32	Effective Combined Tax Rate	12.3310%	15.7434%
33			
34	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)		2.8123%
35	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)		13.1216%
36			
37	<u>Calculation of Interest Synchronization</u>		
38	Rate Base \$ 583,926		
39	Weighted Average Cost of Debt		
40	Synchronized Interest \$ -		
41			
42	<u>Income Tax Adjustments</u>		
43	Test Year Income Taxes - Booked	\$ -	
44	Increase / (decrease) in Income Taxes (L21 - L32)	(379)	
45			
46	Test Year Income Taxes - Adjusted		\$ (379)
47	Increase / (decrease) in Federal Income Taxes (L21 - L35)		9,141
48			
49			

Line

No. Calculation of Gross Revenue Conversion Factor

1	Revenue	100.0000%
2	Uncollectable Factor (Line 11)	0.5557%
3	Revenue (L1 - L2)	99.4443%
4	Combined Income Tax and Property Tax Rate (Line 23)	16.7278%
5	Operating Income Percentage (L3 - L4)	82.7165%
6	Gross Revenue Conversion Factor (L1 / L5)	1.208949

Calculation of Uncollectable Factor

7	Unity	100.0000%
8	Combined Federal and State Tax Rate (Line 17)	15.5649%
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	84.4351%
10	Uncollectable Rate (Line 26)	0.6582%
11	Uncollectable Factor (L9 * L10)	0.5557%

Calculation of Effective Tax Rate

12	Operating Income Before Taxes	100.0000%
13	Applicable Arizona State Tax Rate (from Schedule C-2)	2.8123%
14	Federal Taxable Income (L12 - L13)	97.1877%
15	Applicable Federal Tax Rate (from Schedule C-2)	13.1216%
16	Effective Federal Tax Rate (L14 * L15)	12.7526%
17	Combined Federal and State Tax Rate (L13 + L16)	15.5649%

Calculation of Effective Property Tax Rate

18	Unity	100.0000%
19	Combined Federal and State Tax Rate (Line 17)	15.5649%
20	One Minus Combined Income Tax Rate (L18 - L19)	84.4351%
21	Property Tax Factor (from Schedule C-2)	1.3772%
22	Effective Property Tax Factor (L20 * L21)	1.1629%
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)	16.7278%

Calculation of Uncollectable Rate

24	Bad Debt Expense (from Schedule C-1)	\$ 772
25	Total Revenues (from Schedule C-1)	117,320
26	Uncollectable Rate (L24 / L25)	0.6582%
27	Revenue Increase (from Schedule C-1)	\$ 59,950
28	Uncollectable Rate (Line 26)	0.6582%
29	Bad Debt Expense due to Increase	\$ 395

[illegible]

Line

No.

1	<u>Other Service Charges</u>	Present	Proposed
2		<u>Rates</u>	<u>Rates</u>
3	Establishment	\$ 25.00	\$ 25.00
4	Establishment (After Hours)	\$ 35.00	n/t
5	Reconnection (Delinquent)	\$ 35.00	\$ 35.00
6	Reconnection (Delinquent) (After Hours)	\$ 45.00	n/t
7	After Hours Charge	n/t	\$ 25.00
8	Meter Test (If correct)	\$ 35.00	\$ 35.00
9	Deposit Requirement	2 times the average bill	2 times the average bill
10	Deposit Interest	6% per year	6% per year
11	Re-Establishment (Within 12 Months)	Number of Months off system times the monthly minimum charge	Number of Months off system times the monthly minimum charge
12	NSF Check	\$ 20.00	\$ 20.00
13	Deferred Payment, Per Month	1.5%	1.5%
14	Meter Re-Read (If correct)	\$ 15.00	\$ 15.00
15	Moving Customer Meter at Customer Request	Cost	Cost
16	Late Charge per month	1.50%	1.50%

17
18 In addition to the collection of regular rates, the utility will collect from its
19 customers a proportionate share of any privilege, sales, use, and franchise tax,
20 per Commission rule A.A.C. 14-2-409(D)(5).

21
22 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

23
24 n/t - no tariff

25		Present Rates			Proposed Rates		
26	<u>Service Line and Meter Installation Charges</u>	<u>Srv. Line</u>	<u>Meter</u>	<u>Total</u>	<u>Srv. Line</u>	<u>Meter</u>	<u>Total</u>
27							
28	5/8" x 3/4" Meter	\$ 405	\$ 95	\$ 500	\$ 450	\$ 150	\$ 600
29	3/4" Meter	\$ 413	\$ 162	\$ 575	\$ 450	\$ 250	\$ 700
30	1" Meter	\$ 441	\$ 209	\$ 650	\$ 575	\$ 300	\$ 875
31	1 1/2" Meter	\$ 395	\$ 321	\$ 716	\$ 675	\$ 500	\$ 1,175
32	2" Meter	\$ 727	\$ 845	\$ 1,572	\$ 1,000	\$ 1,500	\$ 2,500
34	3" Meter	\$ 952	\$ 1,448	\$ 2,400	\$ 1,300	\$ 2,000	\$ 3,300
36	4" Meter	\$ 1,310	\$ 2,206	\$ 3,516	\$ 1,800	\$ 3,500	\$ 5,300
38	6" Meter	\$ 2,160	\$ 4,756	\$ 6,916	\$ 2,800	\$ 6,000	\$ 8,800

42
43 All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes,
44 including gross-up taxes for Federal and State taxes, if applicable.

45
46 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

47
48 n/t - no tariff

49

Line No.	Description	Average Number Customers	Average Consumption	Revenues		Proposed	
				Present Rates	Proposed Rates	Increase Amount	Increase %
1							
2	<u>Metered Water Revenue</u>						
3	R1 - 5/8" x 3/4" Meter	85	6,411	\$ 64,502	\$ 99,298	\$ 34,796	53.95%
4	R2 - 3/4" Meter	-	-	-	-	-	-
6	R3 - 1" Meter	34	6,496	44,269	66,289	22,020	49.74%
7	R4 - 1.5" Meter	-	-	-	-	-	-
8	R5 - 2" Meter	1	41,200	5,965	8,938	2,973	49.84%
9	R6 - 3" Meter	-	-	-	-	-	-
10	R7 - 4" Meter	-	-	-	-	-	-
11	R8 - 6" Meter	-	-	-	-	-	-
12	Hydrant Meter						
13							
14	<u>Metered Water Revenue</u>						
15	All Customers	120	81,126	114,735	174,524	59,789	52.11%
16							
17	Other Water Revenue			\$ 3,174	\$ 3,174	-	0.00%
18							
19	Total	<u>120</u>		<u>\$ 117,910</u>	<u>\$ 177,698</u>	<u>\$ 59,789</u>	<u>50.71%</u>
20							

Supplemental Schedule
Breakdown of Metered Water Revenue at Current Rates
By Rate Components

Line No.	Description	Revenue at Current Rates					
		Base Charge	1st Tier	2nd Tier	3rd Tier	Total Revenue	
1							
2	R1 - 5/8" x 3/4" Meter	\$ 25,600	\$ 13,442	\$ 11,498	\$ 13,962	\$ 64,502	
3	R2 - 3/4" Meter	-	-	-	-	-	
4	R3 - 1" Meter	25,750	-	13,322	5,197	44,269	
5	R4 - 1.5" Meter	-	-	-	-	-	
6	R5 - 2" Meter	2,400	-	1,731	1,834	5,965	
7	R6 - 3" Meter	-	-	-	-	-	
8	R7 - 4" Meter						
9	R8 - 6" Meter	-	-	-	-	-	
10	R9 - 8" Meter	-	-	-	-	-	
11	Hydrant Meter					-	
12							
13	Total Revenue	\$ 53,750	\$ 13,442	\$ 26,550	\$ 20,993	\$ 114,735	
14							
15	Percentage of Total	46.85%	11.72%	23.14%	18.30%	100.00%	
16							

Supplemental Schedule
Breakdown of Metered Water Revenue at Proposed Rates
By Rate Components

Line No.	Description	Revenue at Proposed Rates					
		Base Charge	1st Tier	2nd Tier	3rd Tier	Total Revenue	
1							
2	R1 - 5/8" x 3/4" Meter	\$ 38,656	\$ 16,364	\$ 23,246	\$ 21,031	\$ 99,298	
3	R2 - 3/4" Meter	-	-	-	-	-	
4	R3 - 1" Meter	38,885	-	22,676	4,729	66,289	
5	R4 - 1.5" Meter	-	-	-	-	-	
6	R5 - 2" Meter	3,624	-	2,907	2,406	8,938	
7	R6 - 3" Meter	-	-	-	-	-	
8	R7 - 4" Meter						
9	R8 - 6" Meter	-	-	-	-	-	
10	R9 - 8" Meter	-	-	-	-	-	
11	Hydrant Meter					-	
12							
13	Total Revenue	\$ 81,165	\$ 16,364	\$ 48,829	\$ 28,166	\$ 174,524	
14							
15	Percentage of Total Revenue	46.51%	9.38%	27.98%	16.14%	100.00%	
16							
17	Percentage Increase by Tier	51.00%	21.74%	83.91%	34.17%	52.11%	
18							

Supplemental Schedule
Metered Water Revenue at Proposed Rates
Analysis of Increases by Rate Tier

Line No.		Base Charge	1st Tier	2nd Tier	3rd Tier	Total Revenue
1	Revenue at Current Rates	\$ 53,750	\$ 13,442	\$ 26,550	\$ 20,993	\$ 114,735
2	Revenue at Company's Proposed Rates	81,165	16,364	48,829	28,166	174,524
3	Increase in Rates	\$ 27,415	\$ 2,922	\$ 22,279	\$ 7,173	\$ 59,789
4						
5	Percentage Increase by Tier	51.0%	21.7%	83.9%	34.2%	52.1%
6	Percentage of Increase within Tier	45.9%	4.9%	37.3%	12.0%	100.0%
7						
8						
9						
10						
11		Base Charge	1st Tier	2nd Tier	3rd Tier	Total Revenue
12	Revenue at Current Rates	\$ 53,750	\$ 13,442	\$ 26,550	\$ 20,993	\$ 114,735
13	Revenue at Company's Proposed Rates	\$ 81,165	\$ 16,364	\$ 48,829	\$ 28,166	\$ 174,524
14						
15	Percentage of Total Revenue					
16	Current Rates	46.8%	11.7%	23.1% #	18.3%	100.0%
17	Company's Proposed Rates	<u>46.5%</u>	<u>9.4%</u>	<u>28.0% #</u>	<u>16.1%</u>	<u>100.0%</u>
18	Change	-0.3%	-2.3%	4.8%	-2.2%	0.0%
19						
20						

Meter Size: 5/8" x 3/4"
Rate Code: R1

	Present Rates	Proposed Rates	Charges	Present Rates	Proposed Rates
Rate Tiers			Base Charge:	\$ 25.00	\$ 37.75
Tier One Breakover (M gal):	4	3	Tier One Rate:	\$ 4.40	\$ 6.65
Tier Two Breakover (M gal):	10	10	Tier Two Rate:	\$ 6.60	\$ 9.95
Tier Three Breakover (M gal):	999,999	999,999	Tier Three Rate:	\$ 7.90	\$ 11.90

Line No.	Block	Number of Bills in Block	Average Consumption in Block	Consumption in Block	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
1	-	79			79	7.71%	-	0.00%
2	1 - 1,000	58	551	31,960	137	13.38%	31,960	0.49%
3	1,001 - 2,000	118	1,492	176,030	255	24.90%	207,990	3.17%
4	2,001 - 3,000	116	2,532	293,740	371	36.23%	501,730	7.64%
5	3,001 - 4,000	120	3,510	421,240	491	47.95%	922,970	14.06%
6	4,001 - 5,000	116	4,467	518,210	607	59.28%	1,441,180	21.95%
7	5,001 - 6,000	86	5,504	473,350	693	67.68%	1,914,530	29.17%
8	6,001 - 7,000	60	6,452	387,120	753	73.54%	2,301,650	35.06%
9	7,001 - 8,000	61	7,436	453,590	814	79.49%	2,755,240	41.97%
10	8,001 - 9,000	28	8,348	233,750	842	82.23%	2,988,990	45.53%
11	9,001 - 10,000	21	9,432	198,070	863	84.28%	3,187,060	48.55%
12	10,001 - 12,000	40	10,933	437,310	903	88.18%	3,624,370	55.21%
13	12,001 - 14,000	25	13,062	326,550	928	90.63%	3,950,920	60.19%
14	14,001 - 16,000	16	15,108	241,730	944	92.19%	4,192,650	63.87%
15	16,001 - 18,000	13	16,862	219,200	957	93.46%	4,411,850	67.21%
16	18,001 - 20,000	14	18,854	263,960	971	94.82%	4,675,810	71.23%
17	20,001 - 25,000	19	22,146	420,770	990	96.68%	5,096,580	77.64%
18	25,001 - 30,000	13	28,165	366,150	1,003	97.95%	5,462,730	83.22%
19	30,001 - 35,000	5	32,218	161,090	1,008	98.44%	5,623,820	85.67%
20	35,001 - 40,000	1	38,000	38,000	1,009	98.54%	5,661,820	86.25%
21	40,001 - 50,000	8	45,083	360,660	1,017	99.32%	6,022,480	91.74%
22	50,001 - 60,000	4	54,480	217,920	1,021	99.71%	6,240,400	95.06%
23	60,001 - 70,000	-	-	-	1,021	99.71%	6,240,400	95.06%
24	70,001 - 80,000	1	74,090	74,090	1,022	99.80%	6,314,490	96.19%
25	80,001 - 90,000	-	-	-	1,022	99.80%	6,314,490	96.19%
26	90,001 - 100,000	-	-	-	1,022	99.80%	6,314,490	96.19%
27	106,640 - 106,640	1	106,640	106,640	1,023	99.90%	6,421,130	97.82%
28	143,260 - 143,260	1	143,260	143,260	1,024	100.00%	6,564,390	100.00%
29					1,024	100.00%	6,564,390	100.00%
30					1,024	100.00%	6,564,390	100.00%
113								
114	Totals	1,024		6,564,390	1,024		6,564,390	
115								
116	Total Bills	1,024						

116	Total Bills	<u>1,024</u>	Current Rates		Proposed Rates	
117			Units	Revenue	Units	Revenue
118			Base Charge	1,024 \$ 25,600	1,024 \$ 38,656	
119	Average Number of Customers	<u>85</u>				
120			<u>Usage (gallons)</u>			
121	Average Consumption (gallons)	<u>6,411</u>	Tier One	3,054,970 \$ 13,442	2,460,730 \$ 16,364	
122			Tier Two	1,742,090 11,498	2,336,330 23,246	
123	Median Consumption (gallons)	<u>3,684</u>	Tier Three	<u>1,767,330</u> 13,962	<u>1,767,330</u> 21,031	
124			Usage Totals	6,564,390	6,564,390	
125			Revenue Totals	<u>\$ 64,501.57</u>	<u>\$ 99,298</u>	
126						

Meter Size: 5/8" x 3/4"
Rate Code: R1

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:	-	\$ 25.00	\$ 37.75	\$ 12.75	51.00%
2	Base Charge:	1,000	\$ 29.40	\$ 44.40	\$ 15.00	51.02%
3		2,000	\$ 33.80	\$ 51.05	\$ 17.25	51.04%
4		3,000	\$ 38.20	\$ 57.70	\$ 19.50	51.05%
5	Tier One Rate:	4,000	\$ 42.60	\$ 67.65	\$ 25.05	58.80%
6	Tier Two Rate:	5,000	\$ 49.20	\$ 77.60	\$ 28.40	57.72%
7	Tier Three Rate:	6,000	\$ 55.80	\$ 87.55	\$ 31.75	56.90%
8		7,000	\$ 62.40	\$ 97.50	\$ 35.10	56.25%
9	Tier One Breakover (M gal):	4	\$ 69.00	\$ 107.45	\$ 38.45	55.72%
10	Tier Two Breakover (M gal):	10	\$ 75.60	\$ 117.40	\$ 41.80	55.29%
11	Tier Three Breakover (M gal):	999,999	\$ 82.20	\$ 127.35	\$ 45.15	54.93%
12		12,000	\$ 98.00	\$ 151.15	\$ 53.15	54.23%
13		14,000	\$ 113.80	\$ 174.95	\$ 61.15	53.73%
14	Proposed Rates:	16,000	\$ 129.60	\$ 198.75	\$ 69.15	53.36%
15	Base Charge:	18,000	\$ 145.40	\$ 222.55	\$ 77.15	53.06%
16		20,000	\$ 161.20	\$ 246.35	\$ 85.15	52.82%
17		25,000	\$ 200.70	\$ 305.85	\$ 105.15	52.39%
18	Tier One Rate:	30,000	\$ 240.20	\$ 365.35	\$ 125.15	52.10%
19	Tier Two Rate:	35,000	\$ 279.70	\$ 424.85	\$ 145.15	51.89%
20	Tier Three Rate:	40,000	\$ 319.20	\$ 484.35	\$ 165.15	51.74%
21		45,000	\$ 358.70	\$ 543.85	\$ 185.15	51.62%
22	Tier One Breakover (M gal):	3	\$ 398.20	\$ 603.35	\$ 205.15	51.52%
23	Tier Two Breakover (M gal):	10	\$ 477.20	\$ 722.35	\$ 245.15	51.37%
24	Tier Three Breakover (M gal):	999,999	\$ 556.20	\$ 841.35	\$ 285.15	51.27%
25		80,000	\$ 635.20	\$ 960.35	\$ 325.15	51.19%
26		90,000	\$ 714.20	\$ 1,079.35	\$ 365.15	51.13%
27		100,000	\$ 793.20	\$ 1,198.35	\$ 405.15	51.08%
28						
29		Average Usage				
30		6,411	\$ 58.51	\$ 91.64	\$ 33.13	56.62%
31		Median Usage				
32		3,684	\$ 41.21	\$ 64.50	\$ 23.29	56.52%
33						
34						

Granite Mountain Water Co., Inc.
Test Year Ended December 31, 2013
Bill Count

Schedule RLJ-4
Rebuttal
Page 9

Meter Size: 1"
Rate Code: R3

Rate Tiers	Present Rates	Proposed Rates	Charges	Present Rates	Proposed Rates
			Base Charge: \$	62.50	\$ 94.38
Tier One Breakover (M gal):	-	-	Tier One Rate: \$	-	\$ -
Tier Two Breakover (M gal):	10	15	Tier Two Rate: \$	6.60	\$ 9.95
Tier Three Breakover (M gal):	999,999	999,999	Tier Three Rate: \$	7.90	\$ 11.90

Line No.	Block	Number of Bills by Block	Average Consumption in Block 85%	Consumption by Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
1	-	25			25	6.07%	-	0.00%
2	1 - 1,000	22	350	7,700	47	11.41%	7,700	0.29%
3	1,001 - 2,000	33	1,517	50,050	80	19.42%	57,750	2.16%
4	2,001 - 3,000	54	2,618	141,360	134	32.52%	199,110	7.44%
5	3,001 - 4,000	62	3,457	214,360	196	47.57%	413,470	15.45%
6	4,001 - 5,000	44	4,488	197,470	240	58.25%	610,940	22.83%
7	5,001 - 6,000	35	5,541	193,933	275	66.75%	804,873	30.07%
8	6,001 - 7,000	22	6,486	142,687	297	72.09%	947,560	35.41%
9	7,001 - 8,000	23	7,482	172,080	320	77.67%	1,119,640	41.84%
10	8,001 - 9,000	9	8,453	76,080	329	79.85%	1,195,720	44.68%
11	9,001 - 10,000	13	9,443	122,760	342	83.01%	1,318,480	49.26%
12	10,001 - 12,000	15	11,138	167,070	357	86.65%	1,485,550	55.51%
13	12,001 - 14,000	14	12,743	178,400	371	90.05%	1,663,950	62.17%
14	14,001 - 16,000	8	15,060	120,480	379	91.99%	1,784,430	66.67%
15	16,001 - 18,000	5	16,520	82,600	384	93.20%	1,867,030	69.76%
16	18,001 - 20,000	3	19,097	57,290	387	93.93%	1,924,320	71.90%
17	20,001 - 25,000	10	22,867	228,670	397	96.36%	2,152,990	80.45%
18	25,001 - 30,000	5	27,902	139,510	402	97.57%	2,292,500	85.66%
19	30,001 - 35,000	4	32,588	130,350	406	98.54%	2,422,850	90.53%
20	35,001 - 40,000	2	35,980	71,960	408	99.03%	2,494,810	93.22%
21	40,001 - 50,000	4	45,378	181,510	412	100.00%	2,676,320	100.00%
22	50,001 - 60,000	-	-	-	412	100.00%	2,676,320	100.00%
23	60,001 - 70,000	-	-	-	412	100.00%	2,676,320	100.00%
24	70,001 - 80,000	-	-	-	412	100.00%	2,676,320	100.00%
25	80,001 - 90,000	-	-	-	412	100.00%	2,676,320	100.00%
26	90,001 - 100,000	-	-	-	412	100.00%	2,676,320	100.00%

163								
164	Totals	412		2,676,320	412		2,676,320	
165								

166	Total Bills	412						
167								
168								
169	Average Number of Customers	34						
170								
171	Average Consumption (gallons)	6,496						
172								
173	Median Consumption (gallons)	3,692						
174								
175								
176								

	Current Rates		Proposed Rates	
	Units	Revenue	Units	Revenue
Base Charge	412	\$ 25,750	412	\$ 38,885
Usage (gallons)				
Tier One	-	\$ -	-	\$ -
Tier Two	2,018,480	13,322	2,278,950	22,676
Tier Three	657,840	5,197	397,370	4,729
Usage Totals	2,676,320		2,676,320	
Revenue Totals		\$ 44,269	\$ 18,519	\$ 66,289

Meter Size: 1"
Rate Code: R3

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	<u>Present Rates:</u>	-	\$ 62.50	\$ 94.38	\$ 31.88	51.01%
2	Base Charge:	1,000	\$ 69.10	\$ 104.33	\$ 35.23	50.98%
3		2,000	\$ 75.70	\$ 114.28	\$ 38.58	50.96%
4		3,000	\$ 82.30	\$ 124.23	\$ 41.93	50.95%
5	Tier One Rate:	4,000	\$ 88.90	\$ 134.18	\$ 45.28	50.93%
6	Tier Two Rate:	5,000	\$ 95.50	\$ 144.13	\$ 48.63	50.92%
7	Tier Three Rate:	6,000	\$ 102.10	\$ 154.08	\$ 51.98	50.91%
8		7,000	\$ 108.70	\$ 164.03	\$ 55.33	50.90%
9	Tier One Breakover (M gal):	-	\$ 115.30	\$ 173.98	\$ 58.68	50.89%
10	Tier Two Breakover (M gal):	10	\$ 121.90	\$ 183.93	\$ 62.03	50.89%
11	Tier Three Breakover (M gal):	999,999	\$ 128.50	\$ 193.88	\$ 65.38	50.88%
12		12,000	\$ 144.30	\$ 213.78	\$ 69.48	48.15%
13		14,000	\$ 160.10	\$ 233.68	\$ 73.58	45.96%
14	<u>Proposed Rates:</u>	16,000	\$ 175.90	\$ 255.53	\$ 79.63	45.27%
15	Base Charge:	18,000	\$ 191.70	\$ 279.33	\$ 87.63	45.71%
16		20,000	\$ 207.50	\$ 303.13	\$ 95.63	46.09%
17		25,000	\$ 247.00	\$ 362.63	\$ 115.63	46.81%
18	Tier One Rate:	30,000	\$ 286.50	\$ 422.13	\$ 135.63	47.34%
19	Tier Two Rate:	35,000	\$ 326.00	\$ 481.63	\$ 155.63	47.74%
20	Tier Three Rate:	40,000	\$ 365.50	\$ 541.13	\$ 175.63	48.05%
21		45,000	\$ 405.00	\$ 600.63	\$ 195.63	48.30%
22	Tier One Breakover (M gal):	-	\$ 444.50	\$ 660.13	\$ 215.63	48.51%
23	Tier Two Breakover (M gal):	15	\$ 523.50	\$ 779.13	\$ 255.63	48.83%
24	Tier Three Breakover (M gal):	999,999	\$ 602.50	\$ 898.13	\$ 295.63	49.07%
25		80,000	\$ 681.50	\$ 1,017.13	\$ 335.63	49.25%
26		90,000	\$ 760.50	\$ 1,136.13	\$ 375.63	49.39%
27		100,000	\$ 839.50	\$ 1,255.13	\$ 415.63	49.51%
28						
29						
30		Average Usage				
		6,496	\$ 105.37	\$ 159.02	\$ 53.65	50.92%

Meter Size: 2"
Rate Code: R5

Rate Tiers	Present Rates	Proposed Rates	Charges	Present Rates	Proposed Rates
			Base Charge:	\$ 200.00	\$ 302.00
Tier One Breakover (M gal):	-	-	Tier One Rate:	\$ -	\$ -
Tier Two Breakover (M gal):	40	50	Tier Two Rate:	\$ 6.60	\$ 9.95
Tier Three Breakover (M gal):	999,999	999,999	Tier Three Rate:	\$ 7.90	\$ 11.90

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
1	-	1	-	-	1	8.33%	-	0.00%
2	1	1,000	-	-	1	8.33%	-	0.00%
3	1,001	2,000	1,000	-	1	8.33%	-	0.00%
4	2,001	3,000	2,000	-	1	8.33%	-	0.00%
5	3,001	4,000	3,200	3,200	2	16.67%	3,200	0.65%
6	4,001	5,000	4,400	4,400	3	25.00%	7,600	1.54%
7	5,001	6,000	5,000	-	3	25.00%	7,600	1.54%
8	6,001	7,000	6,500	6,500	4	33.33%	14,100	2.85%
9	7,001	8,000	7,800	7,800	5	41.67%	21,900	4.43%
10	8,001	9,000	8,000	-	5	41.67%	21,900	4.43%
11	9,001	10,000	9,000	-	5	41.67%	21,900	4.43%
12	10,001	12,000	10,000	-	5	41.67%	21,900	4.43%
13	12,001	14,000	13,100	13,100	6	50.00%	35,000	7.08%
14	14,001	16,000	14,000	-	6	50.00%	35,000	7.08%
15	16,001	18,000	16,000	-	6	50.00%	35,000	7.08%
16	18,001	20,000	18,000	-	6	50.00%	35,000	7.08%
17	20,001	25,000	20,000	-	6	50.00%	35,000	7.08%
18	25,001	30,000	28,700	28,700	7	58.33%	63,700	12.88%
19	30,001	35,000	30,000	-	7	58.33%	63,700	12.88%
20	35,001	40,000	39,250	78,500	9	75.00%	142,200	28.76%
21	40,001	50,000	40,000	-	9	75.00%	142,200	28.76%
22	50,001	60,000	50,000	-	9	75.00%	142,200	28.76%
23	60,001	70,000	60,000	-	9	75.00%	142,200	28.76%
24	70,001	80,000	79,800	79,800	10	83.33%	222,000	44.90%
25	80,001	90,000	80,000	-	10	83.33%	222,000	44.90%
26	90,001	100,000	90,000	-	10	83.33%	222,000	44.90%
27	123,300	123,300	123,300	123,300	11	91.67%	345,300	69.84%
28	149,100	149,100	149,100	149,100	12	100.00%	494,400	100.00%

366								
367	Totals	12	494,400	12	494,400			
368								

369	Total Bills	<u>12</u>		Current Rates		Proposed Rates	
370				Units	Revenue	Units	Revenue
371			Base Charge	12	\$ 2,400	12	\$ 3,624
372	Average Number of Customers	<u>1</u>					
373			<u>Usage (gallons)</u>				
374	Average Consumption (gallons)	<u>41,200</u>	Tier One	-	\$ -	-	\$ -
375			Tier Two	262,200	1,731	292,200	2,907
376	Median Consumption (gallons)	<u>13,100</u>	Tier Three	<u>232,200</u>	<u>1,834</u>	<u>202,200</u>	<u>2,406</u>
377			Usage Totals	494,400		494,400	
378			Revenue Totals		<u>\$ 5,965</u>		<u>\$ 8,938</u>
379							

Meter Size: 2"
Rate Code: R5

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:	-	\$ 200.00	\$ 302.00	\$ 102.00	51.00%
2	Base Charge:	1,000	\$ 206.60	\$ 311.95	\$ 105.35	50.99%
3		2,000	\$ 213.20	\$ 321.90	\$ 108.70	50.98%
4		3,000	\$ 219.80	\$ 331.85	\$ 112.05	50.98%
5	Tier One Rate:	4,000	\$ 226.40	\$ 341.80	\$ 115.40	50.97%
6	Tier Two Rate:	5,000	\$ 233.00	\$ 351.75	\$ 118.75	50.97%
7	Tier Three Rate:	6,000	\$ 239.60	\$ 361.70	\$ 122.10	50.96%
8		7,000	\$ 246.20	\$ 371.65	\$ 125.45	50.95%
9	Tier One Breakover (M gal):	8,000	\$ 252.80	\$ 381.60	\$ 128.80	50.95%
10	Tier Two Breakover (M gal):	9,000	\$ 259.40	\$ 391.55	\$ 132.15	50.94%
11	Tier Three Breakover (M gal):	10,000	\$ 266.00	\$ 401.50	\$ 135.50	50.94%
12		12,000	\$ 279.20	\$ 421.40	\$ 142.20	50.93%
13		14,000	\$ 292.40	\$ 441.30	\$ 148.90	50.92%
14	Proposed Rates:	16,000	\$ 305.60	\$ 461.20	\$ 155.60	50.92%
15	Base Charge:	18,000	\$ 318.80	\$ 481.10	\$ 162.30	50.91%
16		20,000	\$ 332.00	\$ 501.00	\$ 169.00	50.90%
17		25,000	\$ 365.00	\$ 550.75	\$ 185.75	50.89%
18	Tier One Rate:	30,000	\$ 398.00	\$ 600.50	\$ 202.50	50.88%
19	Tier Two Rate:	35,000	\$ 431.00	\$ 650.25	\$ 219.25	50.87%
20	Tier Three Rate:	40,000	\$ 464.00	\$ 700.00	\$ 236.00	50.86%
21		45,000	\$ 503.50	\$ 749.75	\$ 246.25	48.91%
22	Tier One Breakover (M gal):	50,000	\$ 543.00	\$ 799.50	\$ 256.50	47.24%
23	Tier Two Breakover (M gal):	60,000	\$ 622.00	\$ 918.50	\$ 296.50	47.67%
24	Tier Three Breakover (M gal):	70,000	\$ 701.00	\$ 1,037.50	\$ 336.50	48.00%
25		80,000	\$ 780.00	\$ 1,156.50	\$ 376.50	48.27%
26		90,000	\$ 859.00	\$ 1,275.50	\$ 416.50	48.49%
27		100,000	\$ 938.00	\$ 1,394.50	\$ 456.50	48.67%
28						
29						
30	Average Usage	41,200	\$ 473.48	\$ 711.94	\$ 238.46	50.36%
31	Median Usage					
32		13,100	\$ 286.46	\$ 432.35	\$ 145.89	50.93%

Granite Mountain Water Company, Inc.
Docket No. W-02467A-14-0230
Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB3

Well No. 4 Pump Replacement Documentation

8:45 AM
08/13/15
Accrual Basis

Granite Mountain Water Co., Inc.
Account QuickReport
As of December 31, 2014

	Type	Date	Num	Name	Memo	Amount
101.00 - Utility Plant in Service						
311.00 - Pumping Equipment						
	Check	09/09/2014	5683	R. W. Turner	Well #4/Pump went out	9,448.52
	General Journal	12/31/2014	JFL		Remove well # 4 Pump	-4,680.00
Total 311.00 - Pumping Equipment						<u>4,768.52</u>
Total 101.00 - Utility Plant in Service						<u>4,768.52</u>
TOTAL						<u><u>4,768.52</u></u>

Granite Mountain Water Company

501 North Highway 89
P.O. Box 350
Chino Valley, AZ 86323
www.GraniteMtnWater.com

National Bank of Arizona
1299 North Highway 89
Chino Valley, AZ 86323
91-532/1221
91-532/1221

5683

9/9/2014

TO THE
ORDER OF R. W. Turner

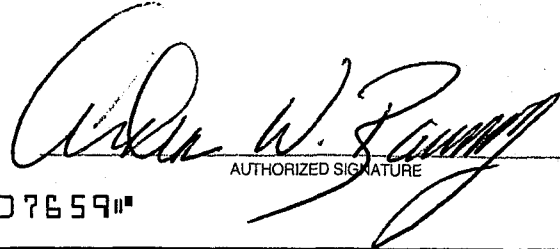
\$ **9,448.52

Nine Thousand Four Hundred Forty-Eight and 52/100*****

DOLLARS

R. W. Turner and Sons Pump
and Windmill Co., Inc
3471 N Hwy 89
Chino Valley, AZ 86323

MO


AUTHORIZED SIGNATURE

⑈005683⑈ ⑆122105320⑆ 0510007659⑈

Granite Mountain Water Company

5683

R. W. Turner

9/9/2014

620.00 · Materials & Supplies:620.02 · R Well #4/Pump went out

9,448.52

National Bank

9,448.52

Granite Mountain Water Company

5683

R. W. Turner

9/9/2014

620.00 · Materials & Supplies:620.02 · R Well #4/Pump went out

9,448.52

National Bank

9,448.52

Details on Back.
Security Features Included

R.W.TURNER & SONS PUMP
AND WINDMILL CO., INC
3471 N. HWY 89
CHINO VALLEY, AZ 86323
Phone # 928-636-2771
Fax # 928-636-8878

Invoice

Date	Invoice #
8/27/2014	13449

Bill To
GRANITE MTN. WATER CO. P.O. BOX 350 CHINO VALLEY, AZ 86323

Served By	Terms	Location
WT,JC	Due on receipt	WELL #4

Description	Qty	Rate	Amount
8/14/14-SERVICE CALL. CHECKED SYSTEM. PULLED PUMP AND FOUND MOTOR LOCKED UP. REPLACED PUMP AND MOTOR WITH NEW UNIT AND NECESSARY MATERIALS. STARTED SYSTEM AND MONITORED FOR PROPER WORKING OPERATION. CUSTOMER WILL CALL IN THE MORNING TO LET US KNOW HOW EVERYTHING WENT OVER NIGHT.			
8/19/14-RETURNED TO SITE. INSTALLED NEW PUMP SAVER, J-BOX AND NECESSARY MATERIAL. RAN PROGRAM AND TEST RUN.			
BERKELEY 6T15-75 PUMP	1	3,668.00	3,668.00T
15HP BERKELEY MOTOR	1	2,302.00	2,302.00T
3" GALV PIPE	21	9.60	201.60T
#10 Splice Kit	1	15.00	15.00T
Roll of 2" 10 Mil tape	2	7.45	14.90T
1/2" ss banding	8	2.45	19.60T
1/2" ss buckles	8	1.75	14.00T
#10 Sub. Cable	338	1.60	540.80T
Symcom 777-HVR motor saver (list price \$662.00)	1	515.00	515.00T
8X8X6 Indoor Screw Cover J-Box, NEMA	1	43.50	43.50T
1" R/T PVC Flex	1	1.50	1.50T
1" Straight R/T PVC Connector	2	3.57	7.14T
#14 THHN Wire	27	0.14	3.78T

	Sales Tax (9.35%)
Payment due upon receipt. After 30 days finance charges will accrue 1.5% per month or 18% per annum. We accept Visa and Master Card. Thank You.	Total

R.W.TURNER & SONS PUMP
AND WINDMILL CO., INC
3471 N. HWY 89
CHINO VALLEY, AZ 86323
Phone # 928-636-2771
Fax # 928-636-8878

Invoice

Date	Invoice #
8/27/2014	13449

Bill To
GRANITE MTN. WATER CO. P.O. BOX 350 CHINO VALLEY, AZ 86323

Serviced By	Terms	Location
WT,JC	Due on receipt	WELL #4

Description	Qty	Rate	Amount
#12 THHN Wire	35	0.19	6.65T
SUB TOTAL			7,353.47
LABOR		1,407.50	1,407.50
Sales Tax (9.35%)			\$687.55
Total			\$9,448.52

Payment due upon receipt. After 30 days finance charges will accrue 1.5% per month or 18% per annum.
We accept Visa and Master Card. Thank You.

OK to pay
[Signature]

Granite Mountain Water Company, Inc.
Docket No. W-02467A-14-0230
Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB4

Well No. 6 Easement Appraisal (Executive Summary)

AN APPRAISAL REPORT
CONTAINING THE RESULTS OF
AN APPRAISAL OF AN
UNRESTRICTED EASEMENT
LOCATED AT
2475 W. SHORT SPUR TRAIL
YAVAPAI COUNTY, ARIZONA

PREPARED FOR

GRANITE MOUNTAIN WATER CO.
C/O PAUL LEVIE
P.O. BOX 350
CHINO VALLEY, ARIZONA 86323-0350

PREPARED BY

ROBERT C. HUCK, MAI
CERTIFIED GENERAL REAL ESTATE APPRAISER
CERTIFICATE NO. 30123

OF

HUCK APPRAISAL OFFICE
724 GAIL GARDNER WAY
PRESCOTT, ARIZONA 86305
(928) 778-7171

EFFECTIVE DATE OF VALUATION
MAY 29, 2014

DATE OF REPORT
APRIL 14, 2015

CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to Robert C. Huck, MAI, the person signing this report.
11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I, Robert C. Huck, have completed the continuing education program of the Appraisal Institute.

CERTIFICATION

Page Two

14. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

15. I hereby certify that I am competent to complete the appraisal assignment. The reader is referred to the appraiser's Statement of Qualifications contained in the Addenda.

16. All extraordinary assumptions, hypothetical conditions and limiting conditions imposed by the terms of the assignment or by the undersigned, affecting the analysis, opinions and conclusions contained in this report are contained herein.

17. No change of any item of the appraisal report shall be made by anyone other than the Appraiser, and if changed, the Appraiser shall have no responsibility for any such unauthorized change.

VALUE CONCLUSIONS

The subject property is an unrestricted easement across the property identified as 2475 W. Short Spur Trail, Assessor's Parcel # 102-09-008N in Yavapai County, Arizona.

The subject property is a portion of the property identified on the Yavapai County Assessor's Tax Roll as Assessor's Parcel # 102-09-008N. The legal description for the property is a Metes and Bounds described parcel in Section 30, Township 15 North, Range 2 West, of the Gila & Salt River Base & Meridian, Yavapai County, Arizona. This parcel is referred to in this appraisal as the 'larger parcel'. This parcel contains ± 1.40 acres or $\pm 61,034$ square feet. It is improved with a single family residence, several outbuildings and miscellaneous site improvements.

The subject easement is a portion of the larger parcel. It contains ± 1.024 acres or $\pm 44,594$ square feet, outbuildings and site improvements as described in this report. It does not contain a portion of the land area contained in the larger parcel or the existing single family residence on this parcel.

By reason of my investigation and having given careful consideration to the factors which affect real estate value, I have concluded the following retrospective market value of the unrestricted easement, 'As Is', as of May 29, 2014:

EIGHTY THOUSAND DOLLARS
(\$80,000)

CERTIFICATION

Page Three

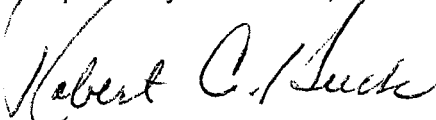
The conclusions of this appraisal are subject to the Standard Assumptions and Limiting Conditions contained in the Addenda of this report. In addition, the conclusions are also made in consideration of the following Extraordinary Assumptions and/or Hypothetical Conditions, as discussed in the report:

1. The appraiser notes that the date of valuation is May 29, 2014, the date the subject easement was recorded in the Yavapai County Recorder's Office. However, the date of the formal inspection of the property is April 14 2015. It is an extraordinary assumption of this appraisal that the nature of the property as of the date of valuation was substantially consistent with the nature of the property on the date of the formal inspection.

I hereby disclose that I personally inspected the subject property on April 14, 2015. No one provided significant real property appraisal assistance to Robert C. Huck, MAI, the person signing this report.

I hereby certify that I have no interest, present or prospective, in the subject property, and that the appraisal assignment was not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. I further certify that to the best of my knowledge and belief, the statements and opinions contained in the appraisal are correct, subject to the limiting conditions expressed herein.

Respectfully submitted,



Robert C. Huck, MAI
Certified General Real Estate Appraiser
Certificate No. 30123

SUMMARY OF CONCLUSIONS

PROPERTY NAME: Granite Mountain Short Spur Easement

PROPERTY LOCATION: 2475 W. Short Spur Trail, Yavapai County, Arizona

PROPERTY TYPE: Unrestricted Easement

ASSESSOR'S PARCEL #: Portion of 102-09-008N (Yavapai)

EFFECTIVE DATE OF VALUE: May 29, 2014

DATE OF REPORT: April 14, 2015

ZONING: Yavapai County R1L-35

EASEMENT: ±44,594 Square Feet or 1.024 Acres

STRUCTURES: Building #1: 702 SF
Building #2: 128 SF
Building #3: 64 SF
Building #4: 65 SF

HIGHEST AND BEST USE,

As Vacant: Single Family Residential Lot or Open Space

As Improved: Single Family Residential/Water Company Use

EXPOSURE TIME: N/A

VALUE ESTIMATE OF SUBJECT EASEMENT: \$80,000

Granite Mountain Water Company, Inc.
Docket No. W-02467A-14-0230
Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB5

Tank No. 3 CWIP Documentation

8:41 AM

08/13/15

Accrual Basis

Granite Mountain Water Co., Inc.

Account QuickReport

All Transactions

Type	Date	Num	Name	Memo	Amount
105.00 · Construction Work in Progress					
105.03 · Water Tank #3 (50K Gallons)					
Check	05/25/2011	1608	Glen Vortherms	Engineering Plans & Report/As-Builts Tank #3	900.00
Check	07/05/2011	1629	Arizona Dept of Environmental Quality	ADEQ Engineering Review GMWC Tank #3 Addition	800.00
Check	07/27/2011	1652	American Express	Postage-ADEQ Tank #3 Engineering Review Packet	11.44
Check	07/27/2011	1652	American Express	A&E Repographics (5) Copies of Eng Plans for Tank #3	92.82
Check	05/22/2014	5555	Yavapai County Development Services	Building Permit Fees	465.00
Check	06/18/2014	5589	Yavapai County Development Services	Tank Permit	415.00
Check	09/12/2014	5688	David Larson	Draw #1 Tank Construction	6,300.00
Check	09/19/2014	5703	David Larson	Draw #2 Tank Construction	6,300.00
Check	02/09/2015	5873	Chapman Electric	50k Gal Water tank	34,225.00
Check	04/17/2015	5954	Chapman Electric	50k Gal Water tank Sales tax Payable	2,800.13
Check	07/30/2015	6056	Chapman Electric	Draw 2 and Materials	28,770.32
Total 105.03 · Water Tank #3 (50K Gallons)					81,079.71
Total 105.00 · Construction Work in Progress					81,079.71
TOTAL					81,079.71

Granite Mountain Water Company, Inc.
Docket No. W-02467A-14-0230
Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB6

Updated Staff Schedules Used as Company Workpaper

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED								
1	Salaries and Wages	\$38,942	(\$7,618)	\$31,324								
2	Salaries and Wages - Officers	6,000	440	6,440								
3	Purchased Power	8,950	190	9,140								
4	Chemicals	47	45	92								
5	Repairs and Maintenance	4,339	(641)	3,698								
6	Office Supplies & Expense	8,314	(2,149)	6,165								
7	Rents	0	2,194	2,194								
8	Contractual Services	11,353	822	12,175								
9	Transportation Expenses	5,453	(314)	5,139								
10	Insurance - General Liability	1,292	282	1,574								
11	Insurance - Health and Life	0	520	520								
12	Miscellaneous Expenses	102	(6)	96								
13	Payroll Taxes	0	2,765	2,765								
14	Total	\$84,792	(\$3,470)	\$81,322								
15												
16												
17												
18												
[D] Chino Meadows as filed	[E] Original amount allocated to Granite Mountain	[F]	[G] Staff Adjustments	[H]	[I] Chino Meadows Direct	[J] Cost to be Allocated	[K] Portion allocated to unregulated Companies	[L] Amount allocated to unregulated Companies	[M] Amount allocated to regulated Companies	[N] Granite Mountain allocation	[O] Amount to be allocated to Granite Mountain	[P] Granite Mountain Direct
19	DESCRIPTION											
20	Salaries and Wages	\$179,965	\$0		\$0	\$160,638	0%	\$0	\$160,638	19.50%	\$31,324	\$0
21	Salaries and Wages - Officers	31,700	6,000		0	33,027	0%	0	33,027	19.50%	\$6,440	0
22	Purchased Power	24,401	247		22,110	2,493	10%	249	2,244	19.50%	\$438	8,702
23	Chemicals	425	47		0	472	0%	0	472	19.50%	92	0
24	Repairs and Maintenance	8,899	633		2,159	8,530	0%	0	8,530	19.50%	1,663	2,035
25	Office Supplies & Expense	30,594	1,988		0	17,569	10%	1,757	15,812	19.50%	3,083	3,081
26	Rents	0	3,000		12,000	0	25%	3,750	11,250	19.50%	2,194	0
27	Contractual Services	11,457	490		0	15,000	0%	0	6,726	19.50%	1,312	10,863
28	Transportation Expenses	24,752	2,736		3,489	6,726	0%	0	21,739	19.50%	4,239	900
29	Insurance - General Liability	8,964	996		0	9,496	15%	1,424	8,072	19.50%	1,574	0
30	Insurance - Health and Life	2,667	296		0	2,963	10%	296	2,667	19.50%	520	0
31	Miscellaneous Expenses	8,848	245		0	490	0%	0	490	19.50%	96	0
32	Payroll Taxes	0	0		2,903	14,179	0%	0	14,179	19.50%	2,765	0
33	Total	\$332,672	\$16,678		\$30,661	\$293,323		\$7,477	\$285,846		\$55,740	\$25,582

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1
Column [B]: Column [C] - Column [A]
Column [C]: Col [P] + Col [Q]
Column [D]: Chino Meadows Schedule TBH CM-14
Column [E]: Chino Meadows general ledger provided in DR CM TBH 1.3
Column [F]: Schedule TBH CM-19b
Column [G]: Schedule TBH CM-19c
Column [H]: Schedule TBH CM-19d
Column [I]: Chino Meadows Schedule TBH CM-20a, Co. [I]
Column [J]: Col [D] + Col [E] + Col [F] + Col [G] + Col [H] - Col [I]
Column [K]: Testimony, TBH
Column [L]: Col [J] + Col [K]
Column [M]: Col [J] - Col [L]
Column [N]: Schedule TBH CM-20e
Column [P]: Col [N] + Col [N]

Calculation of Cost Shift

Staff	73,811
Company	32,890
Cost Shift	40,921
Granite	
Cost Shift	8,086
Antelope	
Cost Shift	
Total Cost Shift	49,006
Total	

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS DISALLOWED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Salaries and Wages	\$179,965	(\$17,444)	\$162,521
2	Salaries and Wages - Officers	31,700	(4,673)	27,027
3	Purchased Power	24,401	(46)	24,355
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	(124)	8,775
6	Office Supplies & Expense	30,594	(2,804)	27,790
7	Rents	0	0	0
8	Contractual Services	11,457	(1,232)	10,225
9	Transportation Expenses	24,752	(7,380)	17,372
10	Insurance - General Liability	8,964	(1,058)	7,906
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	(2,301)	6,547
13	Payroll Taxes	0	(1,539)	(1,539)
14				
15				
16	Salaries and Wages			
17	Non-regulated salaries and wages	(\$17,444)	(\$17,444)	
18				
19	Salaries and Wages - Officers			
20	Pay adjusted to reflect actual time worked	\$0		
21	Duties assigned to office manager	(4,673)	(4,673)	
22				
23	Purchased Power			
24	To adjust for late fees	(\$46)	(\$46)	
25				
26	Repairs and Maintenance			
27	To adjust for personal expense	(\$124)	(\$124)	
28				
29	Office Supplies & Expense			
30	Interest and Late Fees	(\$44)		
31	Mrs. Levie Phone & Charges, Collect Calls, Paul International Call & Plan	(1,888)		
32	Meals	(218)		
33	Miscellaneous Personal Expenses	(524)		
34	2010 Expense	(130)	(\$2,804)	
35				
36	Contractual Services			
37	Legal Fees for Fire	(\$1,232)	(\$1,232)	
38				
39	Transportation Expenses			
40	Gas Reimbursement \$100 per month - Company no longer providing	(\$800)		
41	Personal Use Purchases - Tires	(2,497)		
42	Out of State Gasoline Purchase	(2,229)		
43	Bulk Delivery of Gasoline to Paul's Home (530 gallons)	(1,854)	(\$7,380)	
44				
45	Insurance - General Liability			
46	Remove Vehicle AZ-1 TBH 1.39 Unregulated Associated Co.	(\$1,058)	(\$1,058)	
47				
48	Miscellaneous Expenses			
49	Gifts	(\$1,559)		
50	Meals	(683)		
51	Donations	(60)	(\$2,301)	
52				

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Schedule TBH GM-20e
Company Workpaper

OPERATING INCOME ADJUSTMENT NO. 8 - 4-FACTOR ALLOCATION CALCULATION

Line No.	Company	Weight 2.5x		Weight 2.5x		Weight 1x		Simplified Allocation Factor %
		Customer Count Test Year	Customer Count % Test Year	Customer Count 2018 Projected	Customer Count % 2018 Projected	Gross Plant in Service	Gross Plant in Service %	
1	Antelope Lakes	2		2		\$116,938		
2								
3	Chino Meadows	899	88.14%	899	85.86%	795,909	47.90%	80.5%
4	Granite Mountain	121	11.86%	148	14.14%	865,831	52.10%	19.5%
5	Total	1,020		1,047		\$1,661,740		100.0%

Note: Antelope Lakes shown for reference only, not used in cost allocation model.

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS OFFICER'S SALARIES CALCULATION

LINE NO.	DESCRIPTION	[A]	
		Officer Salary	Hours worked per month
1	Supervision and management of company personnel		12
2	Oversight of company operations		6
3	Provide strategic direction		6
4	Review company financial data including payables, receivable, revenue and expenses		12
5	Provide legal representation for Company		8
6	Review payroll and sign checks		4
7	Review and authorize all vendor payments		4
8	Acquire regulate and oversee company loans and long-term debts		8
9	Meeting with operations management to review capital program and address operational issues and ensure proper facilities and equipment are available		20
10	Develop and review company processes and procedures to ensure regulatory compliance		8
11	Review & advise Company on manuals such as employee handbook & emergency response manual		1
12	Total Monthly Hours		89
13			
14	Calculated Salary - Monthly Hours * \$36.25 * 12 months	38,715.00	
15	Actual Salary	37,700.00	
16			
17	Lower of Calculated Salary and Actual Salary	\$37,700	
18	Less Additional Increase for Operations Manager from 2013 to 2014 ²	(4,673)	
19	Adjusted Officers Salary	\$33,027	
20	¹ Based on Annual Salary of Mr. Levie (Half Time Employee) \$31,700 for Chino Meadows and \$6,000 for Granite Mountain =		
21	\$37,700. Annual Salary / 1,040 hours per year (52 weeks x 20 hours per week) = Hourly Rate of \$36.25		
22	² Operations Manager's Salary for 2013 was \$50,683 and for 2014 was \$55,356. The additional increase is \$4,673.		

References:

Column [A] : Per DRs CM TBH 1.26.g, CM TBH 2.12, CM TBH 3.7 and GM TBH 2.5